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Front cover: Industrial civil servants at work at Royal Ordnance Factory, Blackburn.

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Civil Servants and Management

J S Cassels CB

This is the text of the first of the series of winter lectures for 1982–83 on Public Sector Management organised by the Royal Institute of Public Administration.* The Institute hopes to publish the texts of all eight lectures in due course.

The lecture was given by John Cassels who joined the Ministry of Labour and National Service in 1954 and has spent most of his career in the employment field. He became the first Chief Executive of the Training Services Agency and, in 1975, the first Director of the Manpower Services Commission. On 1 October 1981, he was appointed official head of the unit advising the Prime Minister on efficiency and, with the dissolution of the Civil Service Department, became Second Permanent Secretary of the Management and Personnel Office.

I am glad that the Royal Institute of Public Administration* has decided to devote its winter series of lectures to management in the public sector. It is flattering too to be invited by the Institute to kick off with a lecture about civil servants and management, and I do so with pleasure mingled with trepidation.

It is also, I believe, timely for there to be a good deal of debate and discussion about management in the Civil Service. Things are changing fast. The drive to improve the management of government departments has gathered pace in the last few years, and for reasons I hope to develop I believe we may now be at an important turning point. Moreover the Treasury and Civil Service Committee of the House of Commons reported earlier this year on efficiency and effectiveness in the Civil Service, and the Government's reply** was published less than a month ago.

*Membership of the Institute is open to any person employed in the public service or interested in the practice, teaching, or study of public administration. Details can be obtained from the Director of Membership Relations, 3 Birdcage Walk, London SW1H 9JJ.

***Efficiency and Effectiveness in the Civil Service: Government Observations on the Third Report from the Treasury and Civil Service Committee, Session 1981–82, HC 236,* Cmnd. 8616, HMSO, 1982.

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The Civil Service provides material for a debate, I may say, in which everyone obviously feels free to join. I welcome that. The work of government departments is essential to the country, and the morale of the people who do this work depends on the recognition that a necessary public job is being done well. So it is right to debate issues of effectiveness and efficiency in the Service in a constructive spirit.

Activities of government departments

I want to start by reminding you about the kind of activities that government departments carry out. It is an antidote to easy generalisation. Indeed the size, variety and complexity of the tasks of government departments are enormous but can be overlooked. These tasks are also carried out with an answerability in detail for what is done which would astonish most managers outside the public service.

Take the Department of Health and Social Security (DHSS) and its social security side in particular. The Department pays out over 30 types of benefit to 24 million people. It employs 70,000 people in its regional network, working in 780 local offices, in order to do this. Benefits affect people closely. Each person wants his or her own entitlement calculated accurately and wants payment to be made promptly. If there seems to be any doubt about entitlement, everybody wants to be able to sort it out quickly and with certainty. All citizens are entitled to courteous and prompt attention and some are quick to seek redress if they feel they do not get it. Clearly, managing the social security side of DHSS is a vast job, just as is the payment of unemployment benefit by the Department of Employment or the collection of tax by the revenue departments.

Turn to the Ministry of Defence, which is by far the largest enterprise controlled by a single person in Britain—that person being the Secretary of State for Defence. There are some 325,000 uniformed men and women in the services and 213,000 civil servants. Many of these latter are people manning Royal Naval Dockyards and Royal Ordnance Factories and a whole range of research and development establishments conducting work of enormous variety and great sophistication which is critical to the efficiency of our Armed Forces. And in the Procurement Executive are civil servants responsible for placing orders with industry for equipment totalling £5½ billion in value each year. This work entails professional skills of a high order, and the co-ordination of the efforts of so many people employing such diverse skills to do so many different things is a task to tax the abilities of any team of managers, however talented.

Further examples include the prisons and the immigration service, the Jobcentre network, national savings, the Mint, the maintenance of Government property, the Land Registry, the administration of the courts and the work of the Government Chemist. Each of these tasks has its own

special characteristics: making coin and exporting it competitively to some 57 countries, which is what the Mint does, makes quite different demands on management from, say, running 120 prisons with some 44,000 inmates.

These enterprises run directly by government departments employ the majority of civil servants but they do not exhaust the management task of Government. The National Health Service employs about one million people – over half as many again as the Civil Service. Not only is the management of the NHS itself therefore a massive task, but the conduct of that part of DHSS which is responsible for financing it and therefore responsible for securing value in terms of health services for that money is itself a management task which needs to be carried out in a highly professional manner.

There is a spectrum of relationships with other agencies which spend the taxpayers' money, including among the big spenders the local authorities, who spend £9.1 billion a year on education alone, and the Nationalised Industries. There are also many others.

Finally, there are Head Office units in Whitehall departments. It comes as a surprise to most people to learn what a tiny proportion of the Civil Service is employed in this kind of work. Less than a quarter of the Service works in the London area, and most of those who do provide local services for the population of the city. Such Whitehall HQ divisions as that concerned with industrial relations in the Department of Employment spend little more than their running costs, but their work is highly significant for the well-being of the country. These units too need to be managed; indeed since they rely for their success entirely on the knowledge and professionalism of the people they employ they provide a difficult and critically important test of skill in personnel management in particular.

Measurement of departments' performance

There is, then, this vast range of activity carried on by government departments. How can you tell whether they do it well or badly? If you wonder whether a company is doing well there are some pretty obvious ways of finding out. If it is a quoted company, for example, you can see how its share price stands, look at its movement over the last few years, compare it with share movements generally, and so forth. If you want to look more closely you might examine its last few annual reports. Depending on your financial expertise, you might analyse its financial performance in some detail; if you can't do that you can read what others who can have written. There is no such simple test of whether a Government department is doing its job well, and this is not just a superficial but an absolutely fundamental fact of life not only about judging whether a Department, or a part of a Department, is as efficient and effective as it might be but also about *making* it efficient and effective too.

One possible way of getting at the question might be to compare the number of people a department in Britain employs to carry out some function with the number employed in other countries. Unfortunately, comparisons of this kind are exceedingly difficult as well as expensive to make, and pretty inconclusive when they are made. For example, Customs and Excise have tried hard to compare the cost of VAT collection in this country with that in others, but with no conclusive results. Some countries cannot even identify what it costs them to collect VAT, while others do not have figures on bases comparable with ours – both tax-collecting organisations and the scope of the tax itself differ.

When I was at the Manpower Services Commission we were able to assess only very broadly the performance of the public employment service in relation to that of other countries. We found that our service is far more effective than the American one, which has been brought to its knees by being expected to do so much for people who are unattractive to employers that employers will not use it; or the French one, which until recently lived on a diet of resources set well below starvation level. On the other hand we knew that the German service, which is more generously resourced than our own, has a bigger share of the market – but is also almost completely protected by law from competition from private agencies. So far as we could see, we were in fact cost-effective, even very cost-effective, by international standards. But more convincing to us than these precariously balanced foreign comparisons were improvements over our own past record, which we could measure, and the knowledge of further improvements which we knew we could make for the future.

There are a few exceptions also to the lack of a 'bottom line' – a profit and loss figure – for government undertakings, because there are of course some for which trading funds have been introduced and commercial objectives set. An example is provided by the Mint, which far from operating only in a protected home market earns most of its revenue by making coins for export – business which it has to win against strenuous international competition. The Mint has a financial objective now of earning an average annual rate of 11 per cent, and it has had the satisfaction of demonstrating the merit of its performance by exceeding its financial objective handsomely over the last five years.

The test of profitability is a crude test, maybe, but a very effective test over any span of time—provided of course that a company is not sheltered from competition by a monopoly. Notice that where sufficient competition is or may be lacking to provide the full rigour of the market, and hence where profitability may not provide a test of a company's performance, extra measures are taken through competition legislation and the work of the Office of Fair Trading to provide substitute pressures.

No test of profitability? No competition? These very things are true of most operations of government departments, and it is enough to give one pause if one is attempting to reach any verdict about how well a department is managed.

Good management

Consider why managers do things. It is not enough, alas, to say that people can be expected to manage 'properly' because that is what they are paid to do or because most managers derive their self-respect and satisfaction from doing their job well, true and important though that is. The trouble is that it begs the question of what 'properly' means. Every manager operates within a framework of pressures and constraints, some explicit, many implicit. These pressures and constraints come down from above – from higher management and the directors or, in our case, from Ministers – but not only from above. They come also from below – from staff themselves and the trade unions which represent them – and from outside: the customers we serve and the suppliers from whom we buy goods and services, from other organisations with whom we co-operate and, in our case of great importance, from Parliament and from the public as pay-masters, customers and critics.

Efficiency is achieved with effort and with pain. It is done by causing upheaval in arrangements with which not only you but everyone else are comfortable. It is done by cutting costs which are too high, and dealing with the upsets that that may cause. It is done by obliging people whose performance is not good enough to improve it or to go, and by retiring people who may have given excellent service in the past but who have become unfit or inefficient. It is done by working up new approaches to old problems instead of getting by with what has 'stood the test of time'. It is done by being up and about early in the morning, when it's nicer to be in bed.

Good managers know about effort and pain, which is not at all to say that good management is simply about effort and pain. It is, of course, also about excitement and fulfilment, about using the opportunities and tackling the problems – the dubious legacies of the past, the uncertainties of the future and the inertia and sometimes downright hostility of the present – and delivering. To know what you are trying to do and to deliver it to the utmost is the true satisfaction of the manager.

Conversely there is no earthly reason why managers, being human, should expend effort and incur pain if there is nothing to be gained from doing so. What could be more illogical? It is here that we begin to see what is required for good management in the Civil Service no less than anywhere else.

Managers, I repeat, need to know what is expected of them. The clearer and the more specific that is, the more helpful it is to them in deciding their actions and the more likely that they will deliver what is needed.

Deciding what you want of a manager is a good deal more troublesome and takes a good deal more effort than is often realised. Such techniques as management by objectives have been around for at least a couple of decades, but we are still some way off a full understanding of what is entailed and still further off from applying it in full. Let me give an example.

During the last year, half a dozen departments examined closely, as part of a review co-ordinated by Sir Derek Rayner, the use of support services for government R&D establishments of various kinds. The review found overall that a 19 per cent reduction in the staff involved in providing these services was possible. A prime reason for this was that the management of establishments was so organised that it was *not* clear that the management was expected to reduce its costs to the minimum and no clear requirement was laid upon it to do so. The Director of an establishment, often a distinguished scientist in his own right, is certainly expected to produce good results, and frequently does so, but he has commonly not been given adequate authority over important costs and thus has been in no position, let alone had any incentive, to reduce those costs. Those who do control these costs – those, say, who maintain premises for him or who provide transport for the establishment – again are motivated to give the best possible service they can to Directors with the resources they have, the resources themselves often being taken as a given. So in this respect there were good people working hard and often producing good results – but their objectives were not properly stated. If objectives are correctly and clearly stated, and authority and accountability allocated accordingly, resources would certainly be used better; and better results still than the present ones would be delivered or the same results would be delivered for less money.

Incentives to efficiency and effectiveness

There is therefore a critical problem of defining what is expected of managers in departments, and I want to return to that in a moment. First, however, I want to draw attention to a further consideration. The person who is specifying the results required must himself be subject to sufficient pressures and constraints if he is to make his demands as rigorous as they should be: he too is human, and he too is liable to choose the easier life and the less risky path if he can.

This is where the substitutes for the pressures of the market come in, and where the last few years have seen much change – change which has duly led to major savings in costs and major improvements in productivity. The present Administration was elected with a commitment to cut down the

size of government, which is a political aim that might not be shared by other Governments. But there are two other factors which seem to me to have force whatever Government is in power.

First, we have seen the end of an era when the consensus opinion about the economy was that it would continue to generate sizeable increases in wealth year upon year. Once you no longer rely on the economy to do that it follows that a far harder path has to be trodden by anyone who wishes to expand or even to maintain government activity; and he is under far greater pressure – and has a far greater incentive – to see that the value for money obtained from public expenditure is as great as it can be. Hence cash limits and greater constraints on public expenditure seem to me here to stay, and they are bound to apply pressure on departments to make up their minds about priorities and to be more efficient.

Secondly, we have seen in the last three years the operation of a very stringent regime governing manpower numbers in the Civil Service. Already by 1 July this year the number of civil servants had been reduced by 73,000, or just about 10 per cent, from the level at which it stood in April 1979—732,000. That reduction means that the wages and salaries of civil servants are already costing the taxpayer well over £½ billion less. By April 1984, when the target of 630,000 has been attained, a saving of £¾ billion in wages and salaries will have been made. The pressure on manpower numbers has therefore been highly successful in reducing costs, those reductions having largely been achieved by improvements in productivity and cutting out work judged not to be essential. For example the number of Inland Revenue staff per 10,000 taxpayers has been reduced by 12½ per cent; and the relative costs of administering social security benefits has fallen by 6 per cent in the last three years.

There is no doubt at all in my mind that continued improvements in efficiency depend critically on the limits set for departments in relation to their aggregate resources. I am not saying that the existing ground-rules on these matters are immutable; quite obviously they are not. What I am saying is that if departments are to have the incentive and the pressure to use their resources well (which is critical to cost-effectiveness in Government) then there will always need to be ground-rules which are tight and stringent.

Accountable management

I want now to talk further about this question of defining what is expected of managers in departments. It has to be tackled at a number of levels.

The Fulton Report had this to say (paragraph 150):

> 'Accountable management means holding individuals and units responsible for performance measured as objectively as possible. Its achievement depends upon identifying or

establishing accountable units within government departments – units where output can be measured against costs or other criteria, and where individuals can be personally responsible for their performance.'

I would not quarrel with that statement. I know important parts of the Civil Service where much has been done to give it effect, but I cannot claim that I think it has been sufficiently applied yet by all government departments. Nor has the call which Fulton went on to make for the use of management accounting to back the assignment of responsibility to individuals by allocating costs to cost centres.

My point can be simply demonstrated. The words I have quoted were written in 1968. Earlier this year, that is 14 years after, the Prime Minister launched a joint Treasury/MPO initiative to improve financial management throughout government departments. The document concerned *Efficiency and Effectiveness in the Civil Service,* has already been referred to. It says*

'The main objective is to promote in each department an organisation and a system in which managers at all levels have:

i. a clear view of their objectives; and assess and wherever possible measure outputs or performance in relation to these objectives;

ii. well-defined responsibility for making the best use of their resources including a critical scrutiny of output and value for money;

iii. the information (including particularly about costs), training and access to expert advice which they need to exercise their responsibilities effectively.'

The similarity to Fulton's words is striking, and it is fair to take it as indicating that things have not moved so far and so fast that what Fulton was saying has become a commonplace.

Nevertheless, things certainly have been moving fast in some respects. The constraints on manpower have obliged departments to set up increasingly effective arrangements for deciding how to allocate staff to their various activities and how best to bear the impact of cuts, and this in turn has focussed attention increasingly sharply on priorities.

New approaches to management

Simultaneously, a number of departments have been developing new approaches to the management of their resources. The best known of these is, I suppose, MINIS, the Management Information System for Ministers which Mr Heseltine has introduced at the Department of the

*Paragraph 5 of Appendix 3

Environment. What the MINIS system does is to bring together information about activities, past performance and future plans for each part of DOE. It shows how the work is organised and who is responsible for doing what. This information is used to enable Ministers and senior officials to review regularly all aspects of the Department's work, to compare priorities and allocate resources in the light of them, and to decide on particular areas which need closer examination.

MINIS goes rather beyond anything you will find in Fulton, though it is a logical extension of it. Other departments also have in recent years increasingly been developing more systematic means to review their performance comprehensively and to clarify plans – and with them the objectives to be attained – over the period ahead. I see this kind of development as fundamental to any serious attempt to ensure that managers in the Civil Service have clear objectives; for, unless a department and its various parts have clear objectives, how can individual managers be expected to have them?

Is this true of 'policy' work? Certainly it is. Indeed MINIS is very largely about the work of policy directorates. I want to stress that the distinction made between 'policy' work and 'management' work has often been pressed well beyond the point where it is helpful. I have even heard it used to suggest that there is something about policy work which means it isn't a suitable activity to which to apply management concepts. Far from it. The more qualitative and uncertain the results to be obtained from a unit of government, the more important it is that the attempt should be made to assess the value for money obtained from the work of that unit. The more necessary, too, for the management of that unit to communicate clearly down the line about what the unit is trying to do, how it is trying to do it and who is responsible for what.

Moreover, at what point does a question concerning the running of the prisons – say, the categorisation of prisoners by degree of security risk – become a matter of pure policy into which the management of the prisons does not enter? I would venture to guess, at no point. Likewise, is there no relationship between the policy relating to a particular type of social security benefit and management considerations, such as the cost of delivering that benefit and the extent to which it is taken up by the intended beneficiaries? Of course there is a relationship. I should greatly deplore it if the attention now being given to improving management in the Civil Service lent colour to a myth that there are two cultures in the Civil Service—the 'policy' culture and the 'management' culture. The future beckons in the opposite direction – to the need for the indivisibility of policy and management to be more fully recognised.

I believe it to be true – it has been my own experience as a manager – that much more attention is apt to be focussed on achieving results than on

getting those results with the greatest economy. The prizes go for delivery, not for the 'best buy'. It is for precisely that reason that early on in his efficiency work Sir Derek Rayner instituted an annual scrutiny of running costs of government departments which has just entered its fourth cycle.

Let us be clear for a start that this is not simply a grander way of talking about candle-ends. Provision for the running costs of government departments in the last financial year amounted to £13.9 billion. Included in that figure is £5 billion for salaries, and I have already referred to the success so far in tackling those. To that must be added a further £4½ billion for pensions provision, National Insurance employer's contribution and so on, and £¾ billion for personnel overheads, including such things as travel and subsistence. Accommodation costs over £2 billion, and office services – such things as telecommunications, postage and paper – £674 million. These are no candle-ends but huge sums, and it must be right to sharpen the effort to reduce them to the minimum.

The right principle must surely be that, so far as possible, the consumer of a resource should have a duty laid upon him to ensure he uses it as economically as possible. That points to the need to develop a budgetary system where it is convenient and practical to identify the costs of resources being consumed and put an obligation on the manager not only to achieve the output expected but also to control his costs and keep them to a minimum. It is precisely what the review of support for R&D (referred to earlier) revealed to be necessary. It is by working in this way through the pursuit of efficiency that it is possible to move towards the effectiveness of policies and programmes.

That at any rate is the broad principle, and vigorous efforts are now in hand to apply it very much more widely throughout government departments. The Management and Personnel Office is co-ordinating a review of the control of running costs in six departments, and there is no doubt that this work will give a great deal of impetus to this development. Especially, it will, by looking at detail and hard facts, tease out solutions to those situations where broad principle and practicality seem to conflict. Does it make sense, for example, for the Under Secretary head of a headquarters division to be expected to assume control over the cost of his accommodation? To which the answer may be, first, that he certainly should be responsible for using space economically but that, secondly, it is also necessary to lay upon a designated Premises Manager the responsibility for ensuring that the costs of all headquarters accommodation are kept to the minimum compatible with efficiency and to see that senior management back him up as he may need.

In similar vein, the important moves now taking place away from the 'common service' principle, whereby service departments provide goods

and services free, towards repayment by the consumer, must be right. I welcome its progressive application to the Property Services Agency and Her Majesty's Stationery Office, where it will involve large sums of money. It is a principle to be applied next year to courses provided by the Civil Service College, and I welcome it also in that part of the MPO.

A great deal of other progress has been made by individual departments in improving their financial management and defining the jobs of managers. There have, for example, been important recent pieces of work by management consultants on financial management in the Ministry of Agriculture, Fisheries and Food (MAFF) and in the Department of Industry, and these are now being followed up by practical action.

Delegation

The DHSS has also used consultants to develop the use of management accounting. This and other work, including Rayner scrutinies, are giving support to a consistent drive over recent years in the Social Security side of DHSS to get away from over-centralisation and push responsibility down the line to managers of local offices and further down still within those offices. This movement to push responsibility down the line is now very general in government departments. This is no coincidence. It reflects, I believe, not a passing fashion but a recognition that the alternative – highly centralised regulation, accompanied by a plethora of detailed instructions, codes and rule-books – is not only expensive in resource but uncertain and unsatisfactory in its outcome. Of course, you do need codes – rather detailed ones – to ensure that citizens are treated equally. But management by rule-book is a different thing. It provides no way to motivate to the full the intelligent, able and energetic managers and staff who work in our local offices.

The conversion of an 'administrator' in a limited sense into a 'manager' in a full sense releases enthusiasm and skills which have immense benefits for the quality and the efficiency of the service we can give the public.

The MPO and the CSD before it have had direct experience of such surges of energy because for over ten years now we have been using a mixed team of civil servants and outside consultants to help bring about such changes, working with and on behalf of departments. This has gone under the title of 'job satisfaction' work, a title I don't much like: I think 'job development' would convey the sense better. The team's philosophy has been that the people who really know how to cure most of the problems besetting an organisation at working level are those who work there. They have found that staff at all levels from top to bottom have been able to play a full and active part. The end-product has often been arrangements which are more acceptable and workable, precisely because they have benefited from the knowledge of those who do the work and hence enlisted their

commitment also. Particularly encouraging results have been achieved at the Driver and Vehicle Licensing Centre at Swansea, and a growing number of departments are now using this approach. It goes hand in hand with the thrust towards greater delegation.

Greater delegation has some interesting implications, which it is well worth noting. Unless it is accompanied by accountability, you have anarchy; you therefore must have management information systems which tell you reliably what you need to know – and not more – when you need to know it about the performance of the various parts of the department. Designing and maintaining such systems demands conviction, time and energy, and can be done only if the people at the top consistently give attention and support to it.

Note, too, the implications for management higher up. The move away from constraint by codes and guides and rules implies that down the line, from time to time, people will take decisions that those at the centre may not necessarily like. And yet there is no quicker way for senior management to demonstrate lack of seriousness about delegation if, the minute something goes wrong, censure and detailed correction are the order of the day. Given that detail is always liable to interest Parliament (and rightly) and given, too, the powers of the 'Ombudsman', there is a stiff test here for nerves at the top.

And note also an interesting change in the relationship between manager and managed. Once objectives have been settled, the role of manager is not that of detailed overseer but partly that of auditor and partly that of helper; that is to say it becomes clear that it is the task of the manager to identify and give help to his subordinate in surmounting difficulties which cannot be overcome at the level below. It provides a concept of leadership which is well calculated to motivate and bring out the best qualities in a manager.

I would add that greater delegation within departments carries obvious implications for relations between the central departments and departments generally. Here too roles change. It becomes less a matter of detailed rules imposed by the centre, whose uniform application is sought. Much more the role of the centre is to identify and prescribe general principles and criteria for determining good practice, and to audit their application in practice, for example, by means of scrutinies. Already the Management and Personnel Office has taken a significant step in this direction with a new series of *Management Guidelines* which are an aid to departments in the pursuit of good practice. The first four have already been issued and cover telecommunications, messenger, typing and transport services.

Financial Management Initiative

Altogether, then, a great deal is going on, and I believe that in the longer-

term perspective it will be seen that we have reached a watershed in our approach to management. If it will ever be possible to pick out a single development as being crucial then I think it is likely to be the current Financial Management Initiative which was launched by the Prime Minister in May. I have already quoted its main objective. Because it builds on the good work that various Departments have done in recent years, it is working with the grain in departments. There is a very important point beyond which an initiative of this kind can get only if it has secured general conviction among those affected that it is genuinely right and desirable. My own belief is that that point has been reached and passed.

Of course, you may think, I have a stake in believing what I have just said or even – it depends how cynical you are – in appearing to believe it, and that is true. But I have something a little more substantial than hope or wish to build on. As part of the effort to give the FMI substance, the Treasury and MPO have jointly set up a special unit to help departments apply it and to advise the Treasury and MPO on changes they might need to make and the part they ought to play in future. This small but high-powered unit is staffed half by civil servants and half by management consultants of high standing and with skills and experience derived from public sector assignments. It is in touch with the work going on in virtually all large and medium sized departments to give effect to the Initiative, and it is already clear to the unit that there is a great deal of serious effort being made by departments, building firmly on changes both institutional and attitudinal already under way.

The Treasury and MPO will be publishing a report on progress by July 1983. It will be compulsory, I hope even compulsive, reading for anybody with a serious interest in management in the Civil Service.

Tests of good management

I have dwelt at some length on the difficulty of telling whether a department is well managed. I have argued that there are no hard objective tests. I have, however, recently seen the results of some work which McKinsey and Company did in investigating what it is that distinguishes companies whose track record has shown them to be excellently managed, and these suggest some subjective tests which are not without interest to a government department. The conclusion McKinsey reached was that there are at least eight attributes characteristic of excellent management. These are:

(1) Simplicity of approach and lean staffing.
(2) Closeness to the customer: 'well-managed companies are customer driven – not technology driven, not product driven, not strategy driven'.

(3) Continuing productivity improvement through better use of people (quite apart from new investment).
(4) Operational autonomy to encourage entrepreneurship [to which our counterpart is responsibility centres and delegating down the line].
(5) Stress on one key business value – for example the relentless pursuit of cost reduction.
(6) Sticking to what you know best.
(7) Simultaneous loose-tight controls:
that is to say tight control of a few variables, flexibility for the rest [something there for the Treasury and the MPO to think about].
(8) And finally, a bias towards action [perhaps the most important of all].

All of these attributes of excellent management are applicable to government departments. If, as I argued earlier, there are no hard objective tests of a well-managed department, here is a list of subjective tests which might give clues.

Recruitment and development of managers

When you come to look at what sort of people are managers in departments I believe it is true to say we have some very substantial advantages. Let us count our blessings.

I start with one which it is not fashionable to mention but which seems to me of profound importance. There has been a steady flow of books in recent years about the so-called British disease, that disease being a failure to run industry, especially manufacturing industry, efficiently and hence a failure to be competitive in today's world. These books trace the origins of the disease into the Victoria era, and indeed well beyond. They emphasise the failure of the education system to develop in ways which encourage the belief that the work of industry, and management in industry, are demanding and worthwhile activities for which people of good ability ought to be suitably prepared by the education system and to which society as a whole should accord high status.

It is not my purpose – nor am I able – to analyse that critique in depth, though I believe there is a good deal in it. The point I want to make is that, for a mixture of good and – as the authors of these works would point out – perhaps not so good reasons, the Civil Service has never fallen into the trap of believing that it can do without a share of graduates of high ability, recruited by means of fair and open competition. The foundation for our approach was of course the Northcote-Trevelyan Report, a report which for sanity of approach, for clarity of exposition and for its blessed brevity can still serve as a model for any report writer today.

The flow of graduates into the Civil Service has been reinforced strongly in recent years by the quality of the intake we recruit at Executive Officer level. Changing patterns of education and the changing employment market mean that a higher and higher proportion of the intake consists of graduates – over the last five years this has risen to about 50 per cent. My observation, having spent a good deal of time in visiting local offices in recent years, is that the calibre of people we have been attracting is hearteningly – indeed challengingly – high. So the raw material of which our managers are formed is excellent.

Equally, too, I think it a great source of strength to us that the 'public service' continues to be an idea which people can and do believe in. It is very easy of course to state this in terms which are over-idealistic and embarrassingly unreal. It is certainly not profitable to expect people to put up with poor working conditions by appealing to their sense of public service. And yet most people at work, however little given to reflection, like to think that their work has value, and the idea that what you do does have value because it helps and serves your fellow-countrymen is one of great potency. It would be the greatest mistake to write it off as unquantifiable and therefore non-existent. That is one reason why, may I say, industrial disputes in the Civil Service are so discordant, sow the seeds of so much internal conflict and tension, and why in the end they are so destructive.

And, finally, I want to stress the lessons about civil servants that have emerged from Sir Derek Rayner's work. Sir Derek has never taken the view that civil servants lack ability or motivation. He has quite deliberately sought throughout to work through civil servants, and the results achieved have entirely vindicated that approach. Time and again scrutinies have confirmed the quality of the people we employ, their motivation to do a good job – often in highly exposed and testing circumstances – and their readiness to work hard. These are not windy generalisations: the facts that lie behind what I say have been repeatedly established by examining officers who have dug deep into what really happens at the point where the action really counts, the front line. What Sir Derek has also said, however, is that with good leadership management can be greatly improved. What does that mean for us in terms of developing managers for the future?

Let me start with the kind of experience young Administration Trainees (ATs) get when they come into the Civil Service. AT entrants now have far better formal training than was available when I joined in the 1950s. There is great gain there, but it has entailed losses too. It used to be the norm in some departments for new Assistant Principals, as they then were, to spend substantial periods of time working in local offices. It was an unequalled opportunity to find out about the work of the department at the point of contact with the public, about the people who do that work and

also about the public too. I greatly regret that this kind of early experience has tended to get squeezed out. I hope very much we can find ways of squeezing it in again, and for fast-stream Principals too.

I am quite certain, too, that we do not do enough to encourage young entrants – I speak not only of ATs – to acquire in some depth skills and knowledge of relevance for their careers and their departments. There are several subjects which come readily to mind at present – accountancy, ADP and economics. But the list is much longer than that and extends in many directions, including for example languages and administrative law. What is more, I am sure from talking to undergraduates interested in joining the Civil Service that they would welcome signs that they would be encouraged to acquire such skills. Some good young people are deterred from joining the Civil Service, rightly or wrongly, by the fear that they may find themselves tied to it for life by the absence of any recognised and marketable qualifications.

Next in the development of careers, for my money more attention would be paid to what might be called 'product knowledge'. It is of course a great mistake to suppose that the business of advising Ministers and helping them to develop and put into effect new policies does not involve professional skill. The handling of that business calls for very high professional skills and ones in which the training is long and hard. One reason, alas, that Fulton did not persuade as it should have done is that it overlooked this or appeared to do so. But Fulton was dead right, all the same, about the need for professionalism in another direction. What the Civil Service has tended to overlook is that the situations and problems that governments deal with have developed and expanded so that today they have a complexity and depth which often require prolonged study and great experience if departments are to understand them fully and deal with them with a sure touch. There is, moreover, no substitute for personal contacts with the practitioners, and conversely nothing less reassuring for those who deal with us than constantly to see new faces at the other side of the table.

If this is so, there is an unanswerable argument for arranging for the civil servants concerned to spend more time early in their careers learning in depth about those aspects of national life with which their departments, or parts of their departments, deal. And this leads inexorably to the conclusion – not new, of course, but seldom yet acted upon – that we have put too much emphasis on breadth and not enough on depth of experience. I am told that it is the norm for Principals and above in Whitehall to serve an average two and a half years in each job. We must find ways of slowing down the merry-go-round. Above all we must make sure that promotion boards stop helping to perpetuate the notion that

breadth is all, and push harder the notion that it is proven good performance in the job that impresses.

This leads me to refer to annual reporting. This is under review now and I can express only a provisional view and a personal one. We invest a great deal of time and effort in our system of annual reporting, appraisal reviews and career development interviewing. It is costly and the cost may be justified, but I cannot believe that we get a full return on this activity at present. It would be in line with things I have said earlier if we focused much more sharply on actual performance of the present job and the attainment of objectives set at the beginning of the year. Nor should we accept the output of a system which implies that the performance of about 90 per cent of our staff is above average. It would boost morale, not depress it, if we were less kindly – indulgent would often be a more honest word – about poor performance. In any case if, as was Megaw's 'firm recommendation', we are to move to performance-related pay there is much to do to prepare for the change. Whether or not the review of reporting which this entails can be completed 'within months rather than years', as Megaw briskly said*, fortunately a lot of the hard work is already in hand.

In all these questions of personnel management, I want to caution against the idea that the only way to improve things is to expect more and better work from personnel management sections. A debate is already under way about the relative responsibilities of personnel and line managers, and that is certainly healthy and useful. Less well recognised, I feel, is something of even more fundamental importance: nobody has a greater interest in a person's career and progress than that person himself or herself. A very important line of progress for the future may be for management to put into the hands of staff themselves the relevant information and guidance by which to think about the pursuit of their own careers, and to be ready to respond to their views and wishes, taking a step back from attempting to play the part of universal aunt burdened with doing all the thinking on other people's behalf.

Open Structure

I wish to touch on one other topic only, the Open Structure. You will be aware that, following the Wardale report, the Open Structure – that is, posts at Under Secretary level and above – has been reviewed and that as a result a considerable slimming is taking place, or to be more accurate, continued. The effect is to reduce the number of the Open Structure posts from 789 in April 1979 to 633, a reduction of close on 20 per cent.

*Paragraph 339 of *Inquiry into Civil Service Pay – Report* Vol. 1, Megaw, Sir John, HMSO 1982, Cmnd. 8590.

What is interesting for present purposes is that this reduction is being achieved essentially by cutting out layers in the vertical chain of command and by being clearer about the contribution expected of those who remain in that chain of command. It is precisely that clarity about the 'value for money' added at each level which is so important from top to bottom of government departments. Those who believe that reform should start at the top will I hope take heart from this; just as I hope that they will also take heart from public statements, for example by the Joint Head of the Civil Service in evidence to the Treasury and Civil Service Committee of the House of Commons, to the effect that in making promotions to the top of the Service, greater weight is to be paid in future to managerial performance.

Conclusion

Managerial performance has been the keynote of my remarks – the organisational and management arrangements to promote it, the human skills and resources to effect it. At the outset I said I hoped to contribute some further fact and analysis to the current debate on management in the Civil Service. At a later point I extolled the virtues of a bias towards action rather than talk. Truth to tell, it would be a greater reward than contributing to debate if I could think that something that I have said may be of practical help and use to one or two of the thousands of excellent and hard-working civil servants who manage the multifarious activities which make up the work of Government today, and whose commitment and effectiveness deserve the gratitude of all of us.

The Industrial Civil Service

M J Harvey

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Where can we find a Gravedigger and the Yeoman of the Painted Hall? What is the connection between a Verger, a Tinman and a Wash Rack Attendant? What is a Filling Factory Overlooker, or even a Nitroglycerine Hillman?

You don't know? Then read on.

As civil servants we are well accustomed to occupying a prominent position in the gallery of Aunt Sally figures which are the butt of the public's humours, well intentioned or ill. Whether we merit such a position or not is not a question to consider here, but it is interesting to note that the figure portrayed is almost always a pinstriped bureaucrat, an office worker, the forerunner of those much appreciated comic figures in *'Yes, Minister'*.

The enormous variety of jobs performed in the Science, and Professional and Technology groups, alone indicates just how shallow that caricature is. Nonetheless, it has to be accepted that, as in all caricatures, there is a grain of truth in the description. Those of us being guyed, and hopefully perhaps even the guyers, appreciate, however, that the reality is very different and considerably more complex.

What is perhaps not so readily appreciated is that more than one-fifth of the group lumped together as 'the Civil Service', with its bureaucratic image, falls into a category which is so far removed from the *'Yes, Minister'* mould as to be almost unrecognisable as belonging to the group at all – the industrial Civil Service. Indeed how many of us on the non-industrial side can truthfully say that we realised that such a group existed, and in such large numbers? And how often does one come across jobs with titles such as those described at the beginning – all of which are within the industrial Civil Service.

Numbers and organisation

The distinction generally drawn between the non-industrial and industrial sides of the Civil Service is that drawn between white-and blue-collar workers in outside industry. Whilst this is a convenient distinction to make

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we must beware of over-simplification. The truth is that the industrial Civil Service contains as vast a range of jobs as on the non-industrial side, and requires the possession of as complex a range of skills and abilities as anywhere else. It is true, however, that a majority of the Civil Service industrials operate in engineering environments which are very similar to those found in outside industry.

Industrial civil servants number 136,073* and fall into two groups:

(1) Those employed in government departments under the terms and conditions of service agreed in the Joint Co-ordinating Committee for Government Industrial Establishments (the JCC, about which more later). These number about 131,500.

(2) A group (approximately 4,500) commonly described as 'trade raters', whose pay and, in many instances, conditions of service follow exactly or are related closely to those determined by the relevant trade (for example printing) in outside industry.

Almost 90 per cent of industrials are employed within the Ministry of Defence (including the Royal Ordnance Factories and the RN Dockyards) and the Department of the Environment (where most of them are in the Property Services Agency). Thus industrial civil servants are largely manual workers, and the great majority are employed in activities in support of national defence. The remainder provide support services of various kinds in other government areas, most notably in the maintenance and upkeep of the Government Estate. The main industrial activities undertaken and the approximate percentages of the workforce are:

	%
Engineering	33
Dockyards	17
Building maintenance services	15
Military and civilian stores	6
Operational, administrative and domestic support services	24
Printing, publishing and related services	2
Other, eg agricultural, publicity, fire brigades, hospital ancillaries etc	2

The organisation of industrial civil servants is radically different from that on the non-industrial side in that it is totally job related. There is consequently no similar hierarchy of grades, other than might be found in any industrial shop floor environment, nor anything precisely akin to the non-industrial career progression through a series of grades and posts. Industrials are non-mobile, and recruitment is conducted on a

*At 1 July 1982.

departmental/local establishment basis. There is no age restriction on recruitment except, as also applies in outside industry, to the recruitment of craft apprentices.

There are approximately 41,000 employees with craft status (that is, with recognised qualifications) in their respective trades; the Civil Service is thought to be the largest single employer of skilled craftsmen. The remainder of the workforce is classed as skilled, semi-skilled or unskilled according to the job performed.

Leading Hands and Chargehands in industrial establishments are classed as industrials but Foremen are normally non-industrial civil servants. This split, though curious at first sight, follows the pattern which exists in outside industry between shop-floor workers and those in supervisory and similar posts who, together with office workers, would be described as staff. Matters are rather less clear cut in the area of what might be regarded as office manual work, that is, messengers and cleaners. In such cases the general practice is to regard such workers as industrials if working in an industrial environment and as non-industrials in an office environment.

The general picture which emerges from this is of a worker recruited locally to perform a specific job. It is possible that as his skill at that job increases he may, if the job opportunity exists, move to a higher grade, but it is unlikely in the majority of cases that the basic nature of the job performed will change. This suggests that the industrial Civil Service could be described as largely compartmentalised both geographically and by trade. As a result the industrial worker may tend to perceive as his ultimate employer the local establishment rather than the larger department or indeed the Civil Service, and may also regard his area of job opportunity as embracing the whole area of local industry rather than the Civil Service alone. In other words, although non-mobile in Civil Service terms, the industrial could be regarded as enjoying a greater degree of flexibility and mobility (within the opportunities available for changing jobs) than his non-industrial counterpart, who would normally see his career as developing exclusively within the Service.

There is no evidence that this assumed additional mobility in the industrial workforce presents local establishments with particular problems, and rather less so, in any event, in the current economic climate. It remains a potential problem, however, in the case of the highly skilled worker for whom there is always competition. In such situations the arrangements for settling pay and conditions (as described later), although centralised, aim through a variety of local productivity schemes to allow a degree of variation in earnings according to local circumstances.

Trade union representation and Whitley machinery

There is a long-standing tradition of trade unionism in the industrial Civil Service, and noticeable differences in approach between the two sides of the Civil Service. While trade unionism for the non-industrial side springs primarily from the creation of Staff Associations for particular groups of staff, industrials have always been represented by the same unions which represent employees in similar occupations throughout the public and private sectors. Thus the non-industrial unions have concentrated the major thrust of their activities within the Civil Service, but the industrial civil servants form only a minor proportion of the membership and areas of interest of the national industrial unions. The industrial unions are, however, equally expert in Civil Service matters and represent their members with impressive professionalism.

Certain unions on the two sides have liaison arrangements for areas of common interest, for example the AUEW and the EEPTU with the IPCS, and there are also recognised areas of joint consultation such as training and superannuation. In the main, however, the industrial and non-industrial unions tend to operate quite separately and independently, and this separation carries through the Official side arrangements, both within departments and the Treasury, for dealing with the pay and conditions of service for industrials and non-industrials.

The Whitley machinery for joint negotiation and consultation for industrial grades was established following World War I. At the national level the machinery consists of the Joint Co-ordinating Committee for Government Industrial Establishments (the JCC), and four Trades Joint Councils (Engineering–ETJC; Shipbuilding–STJC; Works Services–WSTJC; and Miscellaneous Trades–MTJC). Originally the Trades Joint Councils undertook negotiations as autonomous bodies on pay, conditions and grading of work in their own particular spheres of interest. The Joint Co-ordinating Committee, as its name suggests, was set up to ensure adequate co-ordination between the Trades Joint Councils on matters of broad policy, and to negotiate separately on those matters such as conditioned hours, annual and sick leave, and sick pay, for which consistency of treatment across the service was considered desirable. With the move in 1970 towards common rates of pay covering all types of industrial functions, the Joint Co-ordinating Committee has become responsible for the negotiation of basic pay as well as of the major conditions of service. Each Trades Joint Council has, however, retained control over negotiating those allowances and grading matters peculiar to its trade area.

None of these bodies has a formal constitution or formal rules of procedure. The composition of each side of the various Councils is determined by that side itself. There is no over-riding limit on numbers, nor

does any union or management body have a prescriptive right to be represented. The Official Side of the JCC includes representatives of the Treasury (and MPO) and of the two major employing departments – MOD and PSA; the Treasury provides the Chairman and Official Side Secretary. For the Trades Joint Councils the Chairmen and Official Side Secretaries are provided by the Ministry of Defence (for the ETJC, the STJC and the MTJC); and the Property Services Agency (for the WSTJC). The Treasury is no longer represented on the four Trades Joint Councils.

The Councils described necessarily encompass interests extending across the industrial spectrum as a whole, either generally or in the context of trade specialisms. At the departmental level the forum for the discussion and negotiation of matters not covered by these wider Councils (training, accommodation and so on) is the Departmental Joint Industrial Council (DJIC), the equivalent of the non-industrial Departmental Whitley Council. The DJIC itself has the power to establish committees for local establishments.

A significant aspect of the industrial managements is that almost all business is conducted with a joint Trade Union Side and very rarely with individual unions.

Pay and conditions of service

The underlying principle on which JCC rates of pay are based derives from the Fair Wages Resolution of the House of Commons. The application of the terms of the Resolution to its own employees by each successive Government has led to a centralised system for determining JCC rates of pay by alignment with the average of national rates paid in a number of outside industries.

The present structure agreed in the Joint Co-ordinating Committee provides:

- a national common structure for basic pay (and conditions of service) negotiated centrally, and deriving from the determination of rates applicable to the 'key grades'. This is augmented by London Weighting as appropriate at the same rates as apply to non-industrials. There is one national rate for Craftsmen, 11 skilled and semi-skilled rates and one unskilled rate.
- a four-tier allowance system which recognises higher craft skills, and a system of allowances applicable across the whole work-force for supervisory responsibilities and adverse environmental working factors. All these are negotiated centrally.
- payments related to improvements in efficiency and performance, that is, productivity or incentive bonuses. Most are negotiated at departmental level.

- a long-standing piecework system applied to groups of employees in the Royal Ordnance Factories. Pieceworkers have the same conditions of service as other JCC industrials, but the national JCC rates of pay are applied only as a fall-back timework rate, when they are temporarily not engaged on piecework and thus on what are classified as Industrial Bonus rates.

Negotiations on the pay of the 'trade raters' – those industrial civil servants whose pay and conditions of service are matched to those of specific outside analogues – are generally conducted, with the trade union or unions concerned, by the employing department on a basis agreed with the Treasury.

Since there are no incremental pay scales for industrials, an industrial civil servant remains on the pay band to which his job is allocated, unless the skill content of the job changes to a degree which would render a re-banding or re-grading appropriate. The industrial thus receives the 'rate for the job' from the outset, and it is perhaps because of this that on the industrial side more emphasis is placed on overall earnings. Current information suggests that an industrial's basic pay rate constitutes only 70 per cent of average earnings, the remainder being made up by overtime (12 per cent), productivity bonus (12 per cent) and allowances, including shift allowance (6 per cent). It will be evident from this that there is potential for considerable variation in the level of earnings, since the requirement for and availability of overtime working is essentially unpredictable.

It is perhaps in the area of productivity bonuses, however, that the industrial employee may consider that he is able to exert most influence over the level of his earnings. Although the contribution to average earnings is approximately 12 per cent, there is in practice a considerable variation in the level of payments which can be achieved under the various schemes in operation, ranging in some cases up to £50 per week.

Productivity schemes, though simple in the underlying concept that more productive work generates higher rewards, have a disconcerting tendency to develop increasing complexity in the process of design and implementation. This is certainly true of many of the schemes implemented in the Civil Service, ranging from the piecework system in the Royal Ordnance Factories, through simple de-manning schemes, to schemes incorporating the latest work measurement techniques and covering large numbers of staff. Schemes may be specific to one establishment, or embrace a group of establishments, not necessarily within the same department. Negotiation and control is mostly at departmental, or, more rarely, establishment level, although a measure of Treasury control is exercised in the more complex cases.

A considerable measure of alignment between industrial and non-industrial conditions of service has already been achieved, coincident with

the general alignment taking place in outside industry. Where differences continue to exist it is generally because similar differences remain in the private sector. There is, however, no machinery for discussions on a joint basis with the two representative bodies concerned, the Council of Civil Service Unions and the Joint Co-ordinating Committee for Government Industrial Establishments.

Prospects

Industrial civil servants are employed in a wide range of industrial functions, most of which have a fairly close parallel in outside industry. There is, however, a much greater degree of interdependence between these functions than is normally found in the private sector, because the industrials are predominantly concerned with national defence activities – in virtually a single industry under one employer. Even those activities not connected with defence also come under the same employer, that is, the Crown.

The consequence of this interdependence is that changes in defence requirements can have a significant impact on the industrial workforce. It is perhaps not generally appreciated how major a contribution was made by industrial civil servants towards the preparation and maintenance of the Falklands Task Force, even to the extent that some of them accompanied the fleet to the battle zone. Needless to say this work was willingly undertaken, but the effects on the forward planning in the dockyards will inevitably take some time to diminish; indeed there remains a programme of work directly related to the damage suffered by the ships of the task force during the hostilities.

There is also the impact of changes in policy stemming from the recent Defence Review, in parallel with the Government's drive towards a major reduction in the size of the Civil Service as a whole. Perhaps the most publicised aspect of this on the industrial side has been the announcement of the intended closure of Chatham dockyard, and of the significant reduction of activity at Portsmouth. Again moves towards 'privatisation' of various parts of the Service are already underway on the industrial side, most notably with the recent issue of a consultative document on the future of the Royal Ordnance Factories. Since these employ almost ten per cent of the existing Civil Service industrial workforce, which has itself been reduced by 21,000 since April 1980, 'privatisation' if achieved would have a significant effect on numbers ascribed to the Civil Service.

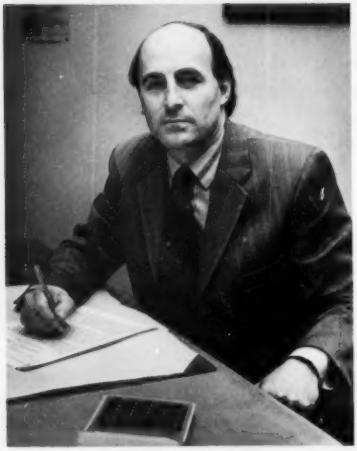
On the pay front, 'fair comparisons' are no longer in favour as an acceptable basis for wage fixing, and, in any event, we have seen that on the industrial side no agreement was ever reached between the Official and Trade Union sides as to the approach to be adopted. The Government is now considering the proposals and recommendations for a new pay

system put forward by the committee under Sir John Megaw. The committee's report is concentrated on the non-industrial side of the Service, and it is too early to say what impact the proposals, if adopted by the Government, might have on the rather different pay system for industrials. In any event, the future of industrial pay will necessarily come under examination in the months ahead, and will be a matter for discussion between the two sides of the Joint Co-ordinating Committee, at what may prove to be stimulating meetings!

Finally, what *is* a Filling Factory Overlooker, and a Nitroglycerine Hillman? Both are employed in the Royal Ordnance Factories, the former as a supervisor/safety officer in factories which fill shell cases with gunpowder and so forth. The Hillman is engaged in the production of highly explosive nitroglycerine, and the method of manufacture requires that the process is conducted downhill. Needless to say, smokers should not apply!

Partnership in Practice: The Work of the British Overseas Trade Board

R M Rumbelow



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Britain has a long tradition as a major international trading nation stretching back to the great Elizabethan period of expansion, so perhaps it was right that the British Overseas Trade Board's original trademark was an Elizabethan galleon. As the BOTB grew, so the galleon was changed to a globe, reflecting the global nature of the BOTB's work.

The Board was set up in 1972 to advise the Government on overseas trade issues and to guide and direct the Government's services and assistance to exporters. It is presently chaired by Lord Limerick, a director of Kleinwort Benson, with HRH The Duke of Kent as the Vice Chairman, and John Caines, a Deputy Secretary in the Department of Trade, as the Chief Executive. Lord Jellicoe will take over as Chairman early next year. The Board consists primarily of businessmen actively concerned with exporting, some from companies which are household names and others representing smaller firms, plus representatives from the TUC, the CBI, and the Association of British Chambers of Commerce.

This arrangement of a board of businessmen directing the efforts of operating divisions within a government department – namely, the

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Department of Trade – is probably unique in the spectrum of relationships between industry and government. The money and staff are from government but the priorities are set by businessmen for businessmen, and the BOTB organisation operates and sells its services with a unique identity.

When the Board was created ten years ago, it represented a novel departure from the normal relationship between government departments and the business community. It is aimed at getting the best of both worlds by maintaining the public accountability requirements of government on the one hand and the need to be flexible and responsive to the exporter on the other. The Secretary of State for Trade is President of the Board and appoints its members. The BOTB budget is the part of the Department of Trade Vote allocated by the Secretary of State for this purpose and he retains control over it.

The fact that officials operate the services ensures proper procedure and accountability so that the Permanent Secretary can properly discharge his accounting office responsibilities. With his consent, however, the Board can determine priorities so as to be responsive to the changing needs of the exporting community. Together with the 16 Area Advisory Groups covering all areas of the world, there are about 200 businessmen involved with BOTB work and taking part in promoting the opportunities in their areas. The fact that this novel departure now seems such an accepted part of the export world – having seen two changes of Government and seven changes of Secretary of State – is, we hope, an indication of the Board's durability and success.

The BOTB offers three basic types of advice and help to exporters. Very visibly at the top end, the Projects and Exports Policy Division (Overseas Trade Division 1) is concerned with assisting the larger companies in securing major project business overseas. Through the Overseas Projects Fund – administered by the Projects and Exports Policy Division – assistance is available to British firms towards pre-contractual costs and feasibility studies where the project has a potential UK content of £50 million or more, and towards consultancy studies. But the majority of firms we deal with are in the more general business of exporting and most of them are smaller and medium sized companies – over 80 per cent have under 200 employees. For these we provide a good range of specific services covering market research and intelligence, and practical and financial help aimed at discovering and getting into new markets, as well as detailed advice on specific markets.

The market branches and specific services are located within the five Overseas Trade Divisions at the headquarters in London, mostly in the 1 Victoria Street building. The market branches in most cases also handle the government-to-government commercial relations issues as well as export

assistance, and there are often important cross benefits in this arrangement. The eyes and ears of the BOTB overseas are the commercial staff in our Embassies, High Commissions and Consulates abroad. Over 200 of these posts have commercial staff, a network surely unrivalled by any commercial organisation. The main points of contact for the exporter in the UK are the ten BOTB Regional Offices headed in each case by a Director (Exports). We look upon these offices as the 'general practitioners' of export assistance, and they are our most important face-to-face contact with our 'customers'. Of course we also welcome 'customers' at the headquarters in London, particularly to the market branches or to the research facilities of the Statistics and Market Intelligence Library.

Even though we have a good range of services we also recognise fully the role of others, such as the Export Credits Guarantee Department, the banks, Chambers of Commerce, trade associations, and export clubs, all of whom can provide expertise or form a centre for advice and discussion. The Board does not see its role as the subsidy of exports nor does it believe it right to try to 'second guess' businessmen's decisions. The broad approach is to do those things that can best or only be done centrally and to help with market assessment and entry, particularly how to avoid the pitfalls facing smaller firms trying to break into exporting or new markets.

As befits an organisation guided by businessmen, the BOTB is not complacent about either the shape or the content of its services or about their marketing. I know from my own work and responsibilities that we have a constant ferment of new ideas and developments under discussion within the organisation, and there is a steady flow of initiatives approved by the Board to change and develop our services. This activity sits well with our managerial efforts in the Civil Service context to organise ourselves to get the best out of the manpower and money resources available to the BOTB organisation.

The promotion of our services is receiving particular attention at present. The range of help available from the BOTB and other sources is certainly extensive, and a prime concern is to see that the potential customers know about it and use it. Our customers need to know about us and what we have to offer, to have access to us easily, and must not be frightened off by the 'big government' label. The message we project, therefore, is of an organisation which is not stuffy or bureaucratic, but easily accessible all round the country, and which has some interesting help and advice to offer.

Recent market research, carried out for us by consultants, shows that there was an encouragingly high overall awareness of the availability of government export services but a much lower specific awareness and usage of them. Clearly we cannot aim at a continuous detailed knowledge of our services by all exporters – they have other things to do! Our aim must

be to generate sufficient knowledge so that when a firm is contemplating a new move, whether first time into exporting or into a new market, they are put in touch with us. This does not point towards a high level costly national media campaign but to a wider based approach. We are building up an extensive mailing list of exporters and potential exporters, whom we will remind of our existence fromtime to time with news of new services or initiatives or featuring an existing service. We shall use specialist press advertising, and indeed some national press coverage, to build this list but it will also have inputs from other sources. We also have two further main promotion activities in hand.

In January 1983, the Board launched a new series of conferences under the title 'Banking on Exports'. The first conference was on 26 January at the Barbican in London where the Chancellor of the Exchequer was one of the principal speakers. The Board is also actively promoting and explaining its services through the *Export Connection.* This is a new presentation, including an audio-visual, which outlines the services that the BOTB and other government agencies offer to exporters, which we are taking to Chambers of Commerce, trade associations, export clubs, *etcetera,* around the country.

If all this looks more like the product development and marketing efforts of a private sector company than a government department then no one should be surprised. It reflects the nature of our task in providing and promoting an identifiable product – the Government's export services – and the hybrid relationship of government and business which we use to direct our affairs. It is a challenging and stimulating environment, particularly during the present times when export sales have been essential to survival for a number of companies.

Changing the Financial Culture in Government

Sir Frank Cooper GCB CMG

This is the text of a talk given last October to the Ministry of Defence Sub-Branch of the Institute of Cost and Management Accountants by Sir Frank Cooper. He was then Permanent Under Secretary of State, Ministry of Defence which post he had held for over six years and from which he retired at the end of 1982. Previous talks which Sir Frank gave to the Sub-Branch were published in the May 1979 and February 1981 issues of *Management Services in Government*.

Introduction

I chose this title because it is what we are about – or ought to be about. 'Financial culture' is a broad term. It covers the whole financial system of government and the people engaged in it; it is a product of the way the system works and individual aptitudes and skills; and it changes in response to developing or different demands and to criticism – both internal and external. It is about decision taking from the highest level to the lowest. It is about managing the consequences of decisions taken. It is about planning, value for money, regularity and propriety. Above all it is about attitudes of mind and approaches to problems.

The financial culture is an accumulation of systems and attitudes resulting from decisions taken in the past and the training and experience of the people doing the work. Some parts of it are well established and working reasonably well (for example, the cash planning and control systems) while others are developing, for example, management accounting. There are also fossilised remains of ideas which have not worked as well as was hoped or are simply outmoded, for example, annuality. There

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are new strands yet to be introduced, for example, responsibility budgets. The culture is so complex that it is difficult enough to describe, let alone say why it should be changed or what the changes should be. My view of it is this. We had a system where too little emphasis was placed on cash. We have moved to a position where there is an imbalance between the effort put into cash control procedures and that put into managing the cost of activities.

We need to increase the professionalism of our approach and increase both the influence and the standing of our financial staffs which diminished throughout government in the 60s and 70s. Criticisms of the way we do our financial business are not new – nor are the solutions. What is new is the determination from the top downwards to change the culture. It is going to affect every aspect including the conventional cash control systems which have come under increasing strain mainly because of the problems created by cash limits.

The cash system

We now have to manage in cash and to think of managing in cash not simply in the Estimates year but across the period of the Public Expenditure Survey (PES). All PES provision will from now onwards be agreed in cash terms at anticipated out-turn prices.

At the macro level the approach is simple. The Treasury estimates what inflation is likely to be, or what they might like it to be, and the Block Defence Budget is updated by the application of a single inflation factor covering pay and non-pay. Single rounded factors can conceal a multitude of sins and errors. There are other problems, conceptual and practical. Cash planning has to be reconciled with the Government's commitment to a three per cent per annum volume growth in defence expenditure. Volume growth has to be measured through the selection and development of appropriate indices, and it is encouraging that there is broad agreement about methodology. There is the problem of the relative price effect (RPE), the term which used to describe the fact that inflation in the defence field is different from that experienced by the economy as a whole – and there is as yet no agreement about the impact or treatment of this factor. Defence inflation is usually greater by an average of one or two per cent per annum (but there is a wide variance around the mean), and there are occasions when defence benefits from a lower rate of inflation than the rest of the economy – that is, when the value of the pound is high and when output and productivity in the civil sector stagnates. This is not unique to this country – it occurs in other countries. If the Defence Budget is not compensated for RPE it will be argued that Britain is falling short of the three per cent volume growth commitment. This issue is inconvenient but needs resolution.

At the micro level, which might for present purposes be described as the level at which management operates, the changing approach to cash poses new problems and challenges and is likely to have different consequences. Cash allocations are being given to individual managers who are then held responsible for living within the cash. The smaller the cash allocation, and the more limited the activity which it has to cover, the less accurate the aggregate inflation factor is likely to be. It is well known that exchange rates and oil prices may fluctuate considerably at variance from the norm. It is less well known that prices in the construction industry, or in the furniture trade, can vary in a way significantly different from those in the aircraft and electronic industries. It is also true that in areas which are highly competitive and the industry concerned is depressed, prices could be more favourable if purchases were made without the benefit of competitive tender and in disregard of the government profit formula. This is not, however, in the government rule book.

Cash management

How is all this to be managed? One answer is to be cleverer and to anticipate when prices will be unfavourable and plan and act accordingly. This is what managing in cash terms means. I would be the last to argue that we cannot and should not do our job better. But if anyone here could accurately foresee how exchange rates or oil prices are likely to move over the next year then many of the rest of us could go home. Stated in such simplistic terms the task is impossible. But we must improve our management even though the management of the Defence Budget over the six years of cash limits is amazingly creditable in aggregate – in 1976 – 77 there was an underspend of £65m; in 1977 – 78 an underspend of £95m; in 1978 – 79 an overspend of £64m; in 1979 – 80 an overspend of £62m; in 1980 – 81 an overspend of £64m and in 1981 – 82 an underspend of £5m in £11½bn. In no case did the variation from the cash limit exceed 1.5 per cent. Indeed, it is an amazing achievement which no one in the outside world could emulate. The real point is that no one would try, since it is largely irrelevant and grossly wasteful of managers' time and effort. To add insult to injury the Ministry of Defence is then criticised because we have overspent (or underspent), for taking over-hasty management action to cut back (the moratorium) or adding back (a 'spending spree') during the year, but rarely — more cogently — because the management system has not permitted or stimulated efficient cash management within the Department as a whole. As I have said, cash allocations are now given to line managers. But all experience suggests that this is a certain recipe for underspending. It substitutes one problem for another. Admittedly underspending is seen by many as a benefit and certainly a lesser evil. Nevertheless, it is bad management and bad practice. It frustrates planning

and causes inefficiency in the execution of programmes. This is not to denigrate or deny the importance of cash control. It is to point up the need for financial culture to be adjusted.

The problem is, of course, annuality. In most known forms of activity there is annual accounting but with arrangements which ensure a rational and reasonable progression from one year to another. There must be a degree of flexibility between years. The question is how to achieve flexibility. There are two broad approaches:

(a) Varying the availability of funds, or
(b) Varying the incidence of expenditure.

Taking the second category first, more than a little has been done to influence cash flow over the last year or two. The major firms in industry have produced profiles of the cash which they expect to receive from the Ministry of Defence, and their Finance Directors now have a major interest in ensuring that these estimates turn out to be reasonably accurate. It is fair – and not critical – to say that their view of what is practicable or reasonable tends to be within a bracket of plus or minus 3 or 4 per cent; sensibly a good more flexible than that to which the Ministry of Defence is held. Nevertheless, I believe these arrangements have greatly benefited industry, who have been extremely helpful, and the Ministry of Defence. Next a major bill paying day was advanced from April 2 1982 to March 31 to mop up a potential underspend of £300m. There has been a significant rebirth of the old practice of chasing up bills (from foreign governments as well as others) and new contracts which permit payment in the last days of March or the first few days of April. I see all this as extremely healthy. If we are to think and plan in terms of cash then it must be right to work and act on a cash basis.

These actions have, of course, led to suggestions that no formal flexibility scheme was needed and that relief from annuality should only be at the margin within existing rules of government accounting or by some adaptation in the interpretation of those rules when this might be seen to be reasonable, acceptable and defensible in public. Doubts have also been expressed about the advancement of a major bill paying day which could, of course, in different circumstances be a retardation. Perhaps more important is the fact that cash management – which is what I am talking about and which I regard as right in principle – has had to be orchestrated centrally, by over-riding or moving counter to what line managers are or should be doing. This is in part inevitable because line managers do not see and cannot assess the overall picture and so determine how much action on their part would redress the balance. The outermost parts of a very large and widely dispersed organisation are inevitably slow to react – there have been instances of outer parts attempting to accelerate expenditure when the centre was trying to rein back, and *vice versa*. But in part it is because

the culture of the Ministry of Defence's financial system is that line managers should not be allowed flexibility to interpret or bend rules and indeed most of them are not prepared, trained or required to take the risk or responsibility. It is worth mentioning that the problem in industry is totally different – payment of bills can readily be used to smooth out cash flow, cash held can earn interest in finance activities, and overdrafts can be obtained.

The Supply procedure

One of the main strands in our financial culture is that the rules and accounting procedures must be applied with strict propriety (and on occasions with a senseless rigidity) so as to force the manager to utilise the Supply procedure and to seek the necessary authority as laid down by Parliament. The Supply procedure is in fact very flexible. To force people to use it maintains Parliamentary control over supply which is fundamental to our democratic way of life. To allow people to evade the procedure by changing the rules, or not applying them, is in effect a weakening of Parlimentary control. I question therefore whether a relaxation of the rules is likely to be acceptable.

The practical problem which has been created is that the present cash limit system effectively reduces or removes from reach the essential flexibility of the Supply system. There are stern warnings against seeking more cash, whether in this year or the next, if programmes slip or accelerate. Thus, there are now two rigidities. Something must give. One suggestion is that the programme should be more flexible, for example, by having reserve lists of add-back or cut-back measures; or, by tightening control over cash flow, forcing industry to be responsible for cutting back. This seems to me inevitable in practice given our long lead times, the inherent inflexibility of the programme, and the extent of forward commitments. Moreover, the fact is that cutting back is so painful and difficult that all will tend to protect themselves against the risk. Put plainly this will lead to more underspending. The individual line manager – at whatever level – is not concerned about a loss of £100m or £200m of defence resources in a year – it is not his job. Experience has shown clearly the impossibility of quick add-backs and there are problems of financial discipline if money is not tight. How could managers be pressed to husband capital resources and utilise them economically if new equipment was being forced on them simply because of a need to mop up an underspend? What happens to economic stock level management if more fuel and 'B' vehicle spares are bought simply because these are the items which can be purchased in-year? How can sensible investment appraisal be undertaken in such cases? Conceptually, too, to opt for programme adjustment has the flavour of reverting to a barter rather than a money economy, with all the practical difficulties which that involves.

Alternative approaches

What are the alternative approaches which would afford a degree of flexibility of funding? First, is an approach which would permit the carry forward of underspent funds on certain categories of expenditure (capital projects) and up to a prescribed limit (5 per cent). There are two major defects to it from a management point of view. It does not allow for overspending through a degree of anticipation of next year's budget if projects are moving ahead faster, for example, because of good weather. Taut estimating and control necessarily involve some risk of overspending, and this is recognised in the doctrine of Excess Votes. It seems clear to me that the Public Accounts Committee would need to scrutinise carefully any overspending in a particular year to examine the reasons and to ensure that it was reasonably unavoidable. Next, there is no assurance that extra money could be found in a future year to allow underspent funds to be carried forward. Logically, when people save they do so to be able to spend more in future. This is regarded – apparently – as both wrong and a problem within government. Higher expenditure apparently cannot be afforded in future years. It is regarded as right to frustrate the programmes approved by Parliament. To the extent that flexibility enabled underspending departments to raise the level of their expenditure, then other offsetting programme cuts would be necessary, on the assumption that lower government expenditure in one year does not permit higher expenditure in another. And, of course, random underspending does not involve the need for the hard decisions which have to be taken before programme cuts can be made.

There is some logic behind this reasoning but its roots are in the old financial culture. I find it difficult to reconcile it with the new financial management initiative which I will be talking about later.

Another approach that has been advanced is the idea that flexibility should be authorised by Parliament, as are cash limits. Funds would not be surrendered at March 31st but could be available for another month. Similarly, a following year's Appropriation might be anticipated in March. That is to say, voted funds would be available from 1st March to 30th April rather than from 1st April to 31st March. This concept has been dubbed the 14-month year, and informal consultations with our main industry suggest that without exception such a scheme would command support – perhaps a result to be expected.

The main difficulties with this approach seem to be that it goes against precedent and introduces unnecessary complexities into the national budget and accounts.

Cost

When I said earlier that there was a determination from the top down to

change the culture, I included particularly the general attitude of Ministers. It has manifested itself in a number of ways: the attention to cash limits, the Megaw enquiry into pay, the Rayner scrutiny system and so on. What I want to talk about now is the initiative on financial management.

The Ministry of Defence has probably been operating management accounting systems longer and developed them further than most Whitehall departments, but during the past ten years or so most others have been moving down the same road. Everywhere the growth has been piecemeal. This became clear with the Ministry of Defence some time ago – hence Acquisition, Buffer, Consumption (or ABC)*. It seems to me that the same general message has emerged from the wave of reviews that have taken place over the last few years and from the wave of studies that have taken place. When all allowance is made for the differing functions of departments the message has been one of striking unanimity: which is the need for both an organisation and a system in which managers have:

(a) a clear view of their objectives;
(b) a means of assessing and wherever possible measuring outputs;
(c) comprehensive information about costs;
(d) clearly defined responsibility for making the best use of allocated resources; and
(e) suitable training and access to expert advice.

Financial management initiative

It was hardly surprising, therefore, that the Treasury earlier this year rightly saw the need for a more comprehensive approach and a greater impetus to the development of improved systems for financial management. The outcome was a paper circulated in May 1982 to Ministers in charge of departments. It began, 'The time has come for a general and co-ordinated drive to improve financial management in government departments', and went on to invite departments to work up programmes of action designed to meet the needs I have just described.

You will have seen the references in the Press to the White Paper** about these programmes which was issued at the end of September in response to a report by the Treasury and Civil Service Committee of the House of Commons. Both are required reading. Behind the scenes, the Treasury have been taking action in a very positive way. They have set up a central unit, issued a checklist of topics for departments to address and prepared a timetable running to March 1983, by which time all departments will have had to provide a plan for improvement. A report will be made to Parliament

*For further details of the ABC system see *Management and Money*, Sir Frank Cooper, *Management Services in Government*, February 1981, p 7.

**See footnote on p 2.

in July 1983 for the benefit initially of the Treasury and Civil Service Committee whose recent report on efficiency helped to spark off all this work.

Financial control in the Ministry of Defence

There is no doubt that these developments are a major initiative in the direction of ensuring that value is obtained for money spent, and what is particularly significant is the central recognition of the contribution that management accounting, linked as appropriate to other information systems, has to make. Where does the Ministry of Defence stand in all this?

The short answer is 'well up with the game' for we were producing ideas of our own for improving financial management. I refer, of course, to the second Reeves Report and in particular the recommendation about Responsibility Budgets. It would be right for me to emphasise here that the present ideas are more about accountability than accountancy as such. Let me develop this a little.

There can be little doubt that it is easier to get to grips with accountancy than accountability. Accountancy is concerned with measuring and reporting and in MOD there are the fruits of many years experience and refinement: namely management accounting systems which cover a very wide spectrum of activity. There are in fact relatively few straight accounting problems, but there is a serious complicating factor in the separation between the system for controlling cash inputs (which is largely centralised) and the responsibilities of managers for providing goods and services.

Line managers who are responsible for delivering the goods but are not in control of the inputs have felt inhibited, and over the years some have said so. Some have accepted the system and have used management accounts to monitor the economy of their operation, and this they have done with conspicuous success. The fact remains, however, that management accounts have been considered to lack essential bite, and many line managers have perceived their management accounts as something other than required reading: in fact a sort of optional extra. Further I do not think it unfair to say that good technically though these systems are, they have tended to be inward looking. Development tended to be on a piecemeal basis and again, until quite recently, it was a rare event for such accounts to be seen at the highest levels of MOD management.

The ABC system was designed to make good some of these deficiencies. ABC provides a broad framework within which management accounting systems will operate; is designed to give reports to senior staff; and bridges the information gap between the provision of resources and their consumption. It has, for example, enabled the Chief of Fleet Support to

examine comprehensive accounts of his senior managers – a healthy and welcome development.

The ABC system was designed to live with existing MOD methods of control and organisational structures, but even two years ago there were sufficient doubts about the effectiveness of these in a regime of tightening financial controls and diminishing staff numbers to justify a major review. After a comprehensive analysis of existing financial management practices a Study Team under the direction of Bill Reeves identified a number of weaknesses which they considered needed remedying. Of these the most significant was the need to harmonise economy and efficiency of defence spending with the need to live within cash limits and civilian manpower targets. The solution put forward was a new form of financial control which revealed and addressed the cost of activities without weakening the control of cash flow.

This took the form of Responsibility Budgets for line managers. These budgets would attach resource values to a task described in quantitative terms, and the system would eventually be accompanied by a switch of financial responsibility from finance branches to activity managers. To the line manager and the accountant no doubt this is heady stuff; although the ideas are not new the scope of the recommendation is revolutionary so far as MOD is concerned.

Everyone accepts that there is a hole in our system – that is, there is no comprehensive system for controlling the cost of activities. The crux of the matter is whether or not for a Department as large, diffuse and variegated as MOD, the Responsibility Budget concept will work and be cost-effective. It also needs to work in some military environments – a point of some importance. I must confess that I am an enthusiast not least because I think we shall get more defence output for it.

Thus work is going forward on the Responsibility Budget concept, which addresses accountability with some accounting content. There are other developments in hand: for example, the traditional forms of management accounts are being developed to suit the needs of line managers in conformity with the ABC concept. Further, existing management accounts will be brought into the ABC mould as and when opportunity permits. All this should provide a sound basis for systems of responsibility budgets if and when they are introduced more widely within the Department.

Annual scrutiny of departmental running costs

So far I have been talking of the development of new and existing financial control systems. Let me remind you of two other fairly recent innovations.

The first is the annual scrutiny of departmental running costs. This was undertaken initially two years ago, following an initiative from Sir Derek

Rayner. The object of this exercise was to make departments more aware of their overhead costs and to facilitate the development of efficient management. Although both the initial report and its follow up in 1981 were generally well received, the form of the scrutiny was unsatisfactory. Earlier this year an inter-departmental working group was set up to examine the problem. The group recommended that the scrutiny be assimilated with annual Estimates procedures. There are clear advantages to this arrangement in that duplication of work is avoided, and instead of the exercise being backward looking and not directly related to the decision taking process, the scrutiny will be an integral part of the Estimates procedure. In addition to the change in timing, the new form of departmental scrutiny will require a more critical and professional appraisal of all the financial activities in the department.

The commentary which will accompany the new form of report to Ministers will contain details of economy measures taken and those in prospect. It will also have to show that the department is using modern managerial tools in an efficient manner. The major emphasis in this part of the report will be on our use of key ratios, performance indicators and management accounts to monitor managerial performance.

There are risks in using simple statistics and in providing bare cost figures particularly when they are read by those who are not as numerate as they ought. There are also risks of higher staff costs. Great care will need to be taken to ensure that these positive developments do not have an adverse side effect on the department. It is in this field that the expertise of the accountants in the Defence Ministry will be needed to ensure that a fair and accurate representation of the Department's activities is given. Intelligent interpretation and constructive criticism will be required, and it will be to them that the Department must look to provide the necessary guidance.

Other developments

We shall need to consider in due course how this work on running costs fits in with Responsibility Budgets and other developments. There are problems of definition, data capture and reconciliation. Responsibility Budgets cover all costs for the organisations to which they apply but may not be suitable for the whole of the MOD. The running costs scrutiny covers the whole of the MOD but part only of the annual cash flow. In addition there are cash flow budgets being developed for expenditure by line management on staff and travel, and we are now considering how to respond to a directive to instal MINIS or something very similar – the Management Information System for Ministers pioneered in the Department of the Environment (DOE). This calls for descriptions and costings of administrative units responsible for activities and their

associated programme expenditure. In the DOE it applies to directorates, that is, what we in the MOD think of as the HQ organisation – a minute percentage of our activity. We have however to think of activities on a much wider scale, as is shown by the work on Responsibility Budgets, which is starting at service and Procurement Executive establishments. There is also a real problem in deciding how what one might call the Services' fighting functions can be related to all this. We shall have to consider and decide how these financial information, control systems, and diverse activities, might be fitted together.

I am sure we need a comprehensive culture. We cannot avoid controls exercised from the centre and the provision of standard arrangements which apply to all. But we must allow for local needs and tailor the systems to provide what management need within the general arrangements. Our failure to do this is what has been so damaging and inhibited changes in our culture. This is particularly true within the Ministry of Defence with its vastly different ranges of activities.

Efficiency

I should now like to turn to efficiency. We are all involved in the search for greater efficiency. It has no end. The MOD is a large organisation which is changing all the time. It responds to both internal and external pressures. The task is to be continually vigilant and to be prepared to adapt to ensure that the best results are obtained at least cost within the funds available.

It should not be a matter for surprise that in a changing environment there are few continuous indicators by which we can demonstrate conclusively that efficiency has been much improved in the MOD. I am nonetheless convinced that we have done much to improve efficiency and increase output in the Department in the last few years, and there is much circumstantial evidence to prove it.

Leaving aside the controls on the Defence Budget through cash limits, manpower ceilings and the long-term costing system which both ensures a check on unreasonable growth and, with the Block Budget, also encourages the efficient use of resources, we can point also to a large number of productive studies. It is of course the major studies which attract attention, but one should not overlook the many smaller studies undertaken which yield welcome savings; nor should one overlook the actions of command and other management services teams or indeed the work undertaken by cost-conscious line managers. From the many let me just cite a few examples:

- the saving of 4,700 complemented posts and £7.9m per year through putting cleaning out to contract at 144 establishments;
- the saving of 230 staff and nearly £3m a year by cutting back on secondary education overseas.

- the saving of 79 posts in Claims Commission by hiving work to the commercial market;
- the saving of 50 posts following a rationalisation of Defence statistical services.

Other studies on dissemination of administrative information, defence telecommunications and Service travel were completed more recently but should lead to organisational and administrative improvements. Studies of pay and superannuation and resource control reviews of support in the RAF and of the Meteorological Office are in hand, and we have high hopes there.

Service training is under close scrutiny. For example, we already plan to close six naval training establishments and to cut manpower in the Army training organisation by about 1,500. RAF ground courses will be reduced in number and flying training further streamlined.

Finally, among a range of savings in the R&D establishments I would single out our contribution to the Civil Service-wide review of support services at government research establishments. The MOD's recommendations are expected to lead to savings of at least £6.4m a year plus once and for all savings of £1.5m.

Efficiency is especially difficult to measure in the public service. It is about achieving the best results at least cost. This must imply that both results and costs can be measured and comparisons made between the results achieved in one period of time as against another. Otherwise how is one to know if an improvement has been achieved? But government objectives are often generalised and in a macro sense, for example, as in our own case, Defence, are incapable of quantification in terms that can be measured. In the end the only real test is how effectively we fight, and it is encouraging that the existing structure, management, organisation and people managed the Falklands hostilities without any major changes being required in any area.

We have no commercial profit and loss account. We have therefore to seek other solutions; we need to assure ourselves that each of our many line managers is operating with maximum efficiency. We need to encourage him to work out his own measures of performance and to ensure that arrangements exist for monitoring and reporting on performance. And we need to develop indicators and ratios which will advise the management at every level, from the very highest to the lowest, of trends.

We also need a new approach to the way in which we check centrally on how the Department is doing. One of the changes we have made is in the inspection and audit area. In addition to using fewer staff and concentrating on the areas in greatest need of scrutiny, we have begun a programme of management audits. These will be looking at the use of all resources in

an organisation or functional area to see if they are being used to meet essential objectives in the best way.

Audit, studies by outsiders, and so on are obviously necessary even though some people deplore what they regard as continual digging up of the trees to see if the roots are still healthy. There is at the moment a real risk of too many spades digging holes round tender plants. The less spades are used the better. Which prompts this thought: an improvement in efficiency requires an understanding of the costs incurred and the nature of the results to be achieved, plus the imagination, knowledge and motivation necessary to suggest better ways. This is meant to chime with what I said earlier about responsibility Budgets.

Manpower – numbers and grades

I have been talking so far about the common denominator – money. What of another resource, which in Service and civilian terms involves a budget of £5.3 billion this year — well over a third of the Defence Budget?

In a small organisation manpower control is important. In Defence it is crucial. It is not just a matter of spending no more of the public's money than is needed or meeting reduction targets set by Government. The balance of the defence effort has got to be right as well. This is becoming more difficult all the time because of the pace of change in the equipment programme. To keep pace the programme has to grow: current estimates suggest an annual growth in the capital production costs of successive generations of major equipments of between six and ten per cent a year in real terms. Set this against the comparable growth in the Defence Budget as a whole of about three per cent on average to get some idea of the pressure on our resources.

Are we doing enough to control manpower? Are we going about it in the right way? The figures speak for themselves. Between 1964 and April this year MOD has reduced civilian numbers by 180,000. Since 1976 alone there has been a cut back of 60,000, and since 1974 we have reduced Headquarters by 23 per cent, including 22 Open Structure posts. We are now well on our way to hitting our April 1st 1984 target of 200,000, by which time our manpower will have been cut by a quarter since 1976 and defence spending in real terms will, on present plans, have increased by 11.3 per cent. Put another way, the cumulative manpower savings since 1964 amount to almost as much as the total Defence Budget now or to one-and-a-half times the cost of funding Trident. Controls on Service manpower operate less formally but the pressure from the equipment programme means that this part of the manpower bill requires – and is getting – rigorous scrutiny.

Clearly, manpower is being controlled effectively. The burden has largely fallen on line managers. Obviously major decisions such as those in

Command 8288 and that concerning the future of the Royal Ordnance Factories are taken centrally, and they have major manpower implications. But the whole host of minor changes in working practices, manning levels and workload have been left to line management. To some extent this has been arbitrary — though in allocating manpower ceilings each successive management level should have exercised its judgement as to which areas merited priority and there has been an appeal system. But I have no doubt that it is right that line managers should be asked to make the most efficient use of manpower at their disposal. It is impossible – and would be foolish to attempt – to work everything out in detail from the centre.

The corollary, of course, is greater freedom for line managers. To this end we are increasingly giving line managers scope to vary numbers and grade mixes within cost and numbers constraints. This is happening throughout the centre this year. Staff Budgets will spread more widely; the Procurement Executive are moving in this direction too, as are the Services.

For delegation to work properly much more is needed than a simple direction that it should happen. Those at the top have to accept that a less direct form of control over resources is in operation, while line managers have to realise that they are personally responsible for the efficient use of the manpower at their disposal and should be marked and judged accordingly. Staff Budgets are a step in the direction of giving line managers more choice in deciding how to deploy their resources to best effect; but given the constraints of cash limits and numbers ceilings, the step is a small one in practical terms. It does, however, represent a major change in the approach to manpower control. Again it is in line with the work being done on Responsibility Budgets which I talked about earlier.

Motivation and people

Right at the start of this talk I mentioned the importance of people in our financial system. Management has not moved fast enough to encourage the acquisition of the necessary skills, experience and attitudes. This is in part a criticism of our education system which seems increasingly to produce innumerate recruits, of our attitudes to professionalism and, within the MOD, of our posting and training polices of some years ago which did not pay enough attention to experience on the job or to the development of particular skills. It is all very well to talk of changing the financial culture but our first task has been to get back to where we were – with fully competent people to manage existing financial systems. We have taken the necessary steps. I do not want to go over old ground but we can now begin to consider the wider questions.

There is already a basis in the people we have for the change that needs to be brought about. You are some of them. The MOD is indeed fortunate

that it set out so many years ago to develop management accountants for we need them more now than we perhaps even realised. But we have some problems. Even with the accountancy functional specialism* there are not enough management accountants and other accountants to do the work that already exists, although there should be in a few years. We are finding new work for them in the developments that I talked about earlier – which means we shall need even more. We want our accountants to play a larger part in our financial systems but this means giving them a breadth which their earlier training and experience tends to lack. It also means that managers must see them as more than designers and operators of accounting systems. So we have to persuade more and better people to become qualified accountants and keep losses to the minimum; to encourage them to seek wider responsibilities and give them the necessary chance to extend and develop their skills in a wider frame of management. At the same time we have to show the Department at large that accountants are not the narrow experts that some see them to be.

None of this is new but the changing financial culture will add extra impetus. We must do more. For one thing, people have to be properly motivated. How do we do this? We must first meet the employee's working needs – a sense of achievement, recognition, job satisfaction and prospects of advancement and personal development. Beyond these we have to consider the impact of departmental policy, working conditions, supervision and pay which also help to determine an employee's state of mind at work. Our aim must be not simply to deal with causes of dissatisfaction but positively to promote action which will motivate staff to do their best.

Whether you consider pay to be a motivating factor or not, it is a most important part of the employment contract. We compete with the private sector for qualified accountants. The Civil Service cannot match its competitors pound for pound. Nor should we; a career in the Civil Service provides other benefits. Nevertheless we need to pay enough to attract and hold the staff we need, and it will therefore be interesting to see what comes out of the debate about the Megaw report, not simply on basic pay but also on the ideas about performance rewards such as merit pay.

Turning to career prospects, I ought to say something about the recent creation of the accountancy functional specialism. This has brought together the management accountants and the members of the old Professional Accountants Class in one specialism within the administration group. The odd thing about reactions to the change is that certain of the PAC accountants, for whom the scheme is intended to open up wider opportunities, had strong reservations about it whereas the Administration group accountants who now face competition for the broader and more

*See *A Wider Role for Accountants*, K H Hills, *Management in Government*, May 1982, pp 83–91

senior posts generally welcomed it! The scheme reflects a clear intention to improve and widen the use of accountants and that the Government Accountancy Service should provide a beneficial framework. Hopefully all will come to recognise this in time and see the prospect of competition as a challenge. If so, there is obviously nothing wrong with their motivation.

What about promotion? I have mentioned before the problems caused by the relatively narrow experience of accountants during the earlier parts of their careers. It is the inevitable result of specialisation and there is no denying that it can be a handicap later on for someone who seeks a broader career and for the posting authority in trying to provide such a career. We have tackled the problem at the earlier stages by telling promotion boards not to reject accountants because of narrow experience. We also hold special management accountancy boards and exempt Executive Officers who complete in-service professional training from the usual seniority requirement. At the later stages we try to spot the accountants who would benefit from broader experience and to arrange suitable postings for them. This is not only good for the individual; it also brings the accountant's approach to bear on our wider financial work and shows line managers the benefits of that approach. I am sure line managers will start to use accountants more widely — the pressures are on them to do so.

In my enthusiasm for broader and better equipped accountants I must not forget that they are not all civilians. While civilian staff are my particular responsibility I take a close interest in the MOD's military accountants who have such a valuable contribution to make because of their special knowledge and experience, and whose training centre at Worthy Down is at the heart of our civilian training programme. All I can say is that I hope that something of what I have said about the civilian side strikes a responsive chord.

Conclusion

I have talked so far about what management is trying to do, but if the aims are to be met a lot of the impetus must come from you. It will come partly because it will be in your own interests to provide it but also, I hope, because you want to give the Department what it needs. Motivation is not just about rewards; there is also a component of service or of duty, If you like. The public, who employ all of us, deserve the best we can give. So, having qualified, you need to consider continued professional education and job-related training to deepen your knowledge and skills and to extend them to areas such as audit and project finance. You also need, as your career progresses, to look outside the confines of the job you are doing to see how it fits into the wider management task and how you could contribute to the decisions which managers are taking. This calls for the best you can give and provides an opportunity to be seized with both hands. I am sure that this is what you will all do.

The Government Statistical Service and its Management

D W Flaxen

David Flaxen is a Chief Statistician in the Central Statistical Office in charge of the Statistician Group Management Unit and work on Government Statistical Service policy and budgets. He has previously worked in the Department of Employment and in the Inland Revenue.

Statistical information has been of central importance to government for many years. For example, the national accounts – the income and expenditure of the nation – have been compiled since 1941 (when they were published in the White Paper *An Analysis of the Sources of War Finance and an Estimate of the National Income and Expenditure in 1938 and 1940**), and they are still essential to understanding how the economy operates; indices of the cost of living or retail prices have been produced since 1914 and used in controlling or allowing for inflation; while the trade accounts, showing the balance between exports and imports, have appeared annually since 1696 and monthly since 1845.

The position of statisticians in government was formalised during the last war, when the Central Statistical Office (CSO) was set up as a part of the Cabinet Office. The establishment of the office arose in part as a result of disagreement in Cabinet over shipping figures, one set having been provided on a gross basis and another set on a net basis. The then Prime Minister, Winston Churchill, established the CSO to ensure that figures presented to Cabinet were on an agreed basis. (The CSO took over the work on the preparation of the national accounts and its main function today is to prepare and present these, figures for the balance of payments, and other important economic and financial statistics).

The Statistician Class (now called the Statistician Group) was formed just after the war. Its members are either professionally qualified statisticians, or those who have achieved qualification through detailed experience of statistical work in government. The Statistician Group, together with those working for and alongside it, form the Government Statistical Service (GSS).

*Cmnd. 6261, HMSO 1941.

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The role of the GSS has recently been described as follows:*

> 'The Government Statistical Service provides an information and statistical advisory service to Government for use in developing, implementing and monitoring policy. It also has certain obligations to provide information to Parliament, the public and international organisations. It collects and processes information, carries out any necessary statistical analysis and presents and interprets the results. To do so effectively it maintains close relations with administrators, managers and policy advisers to ensure that as far as possible relevant information is provided and used appropriately.'

The Statistician Group and the GSS

At present there are around 500 members of the Statistician Group, spread across virtually all departments, and the total number in the GSS is about 5,000. If account is also taken of civil servants whose main activities are not necessarily statistical – for example, staff in local offices who spend a proportion of their time on completing statistical returns or computer operators whose computer handles many different jobs – the total annual effort on statistics in government amounts to some 7,000 man-years.

The work of statisticians

Civil servants are concerned with the efficient and effective administration of government programmes, the implementation of policy, the monitoring of how policies are working and the design of changes. For all these activities factual information is essential and members of the GSS are responsible for providing such information in many cases.

The starting point is collecting data. Sometimes this is part of the administrative process – for example, records of National Insurance contributions or details of incomes of taxpayers. This still needs to be put into a manageable form, and statisticians are often involved in extracting and processing management data for statistical uses. For example, each year the statisticians in Inland Revenue obtain data from a sample of individual income tax records. From these, details of the distribution of income and the effects on tax yields of changes in the tax structure can be calculated to provide an essential input to the Budget decision-making.

If data are not available directly from administrative records, statistical surveys of individuals or businesses need to be conducted. The range of information collected is vast: from the Census of Population to the Census of Production, from surveys of earnings to surveys of livestock. The burden on the public, both people and firms, is inevitably considerable but it is

*A short statement on the role of the Government Statistical Service was prepared by the Central Statistical Office following the publication of the White Paper on Government Statistical Services (Cmnd. 8236) and endorsed by Directors of Statistics. It was printed in Statistical News of August 1982 (pp 58.30–31) and the first paragraph is reproduced here.

kept as small as feasible. Even so, currently a total of over two million forms are sent out on average each year to businesses.

The collection and basic processing of data takes a substantial part of GSS resources. This is, however, only the first part of the statistician's contribution. Data need to be readily accessible in a convenient form, often immediately accessible through terminals so that questions can be answered quickly and simple calculations done speedily. Next, data need to be analysed and interpreted so that the relevance of the information for monitoring a department's activities or assessing the consequences of change can readily be seen. Some of the basic techniques used for this – constructing index numbers or seasonal adjustment, for example – have been developed by government statisticians, in this country or abroad.

Finally, the message obtained from the data needs to be put clearly and concisely to administrators and to Ministers.

Usually statisticians will need to provide positive responses and initiatives in particular situations. This may involve regular work – for example, forecasts of the school population or labour supply projections – or it may involve special exercises, for example improving the methods of deciding what spares should be carried on Royal Navy ships, or attempting to assess the effects of introducing legislation on wearing seat belts in cars.

This essential work is usually behind the scenes. The most publicly visible part of the statistician's output is published tables with commentary, which give the basic background to the working of the economy or the functions of a particular department. Regular publications such as the *Annual Abstract of Statistics,* the *National Income Blue Book* and *Economic* and *Social Trends* are the backbone of this, but many departments publish also their own individual publications. (There are, for example, the *Digest of Energy Statistics* and the volumes of *Criminal Statistics*).

As one moves from data collection to background information, to briefing and involvement in current issues, statisticians become more closely involved with their administrative colleagues. Also, their expertise may start to share common features with that of other specialists, such as economists and operational researchers.

Management of statistics in departments

The Central Statistical Office employs around 40 statisticians, but the great majority are employed in the other departments. Unlike many countries, the United Kingdom has a decentralised statistical system. Statisticians are members of their departments, and subject to the overall control of their Minister and Permanent Secretary. Within each department there is

normally a Director of Statistics who has overall responsibility for the statistical work of the department and the statistical budget.

When considering his area of responsibility, an administrator in a department might identify statistics as one of the resources he uses. Financial control might then control expenditure on statistics in the context of each individual departmental activity.

This is not generally the way in which expenditure on statistics is managed. The Director of Statistics takes the complementary position: he considers resources devoted to statistics, and the activities and departmental programmes in which they are used. He needs to balance the pressure to meet the immediate requirements of the day against longer-term needs of maintaining continuity on data collection and processing, and fostering new developments. Of course, the Director of Statistics has his own responsibilities as a manager, to ensure that work is done effectively and efficiently.

Central management of the Statistician Group

Though statisticians are employed by their parent departments, the Group is in many significant respects a centrally managed Group.

The Statistician Group Management Unit (located in the Central Statistical Office) has responsibility for liaising with the Civil Service Commission on recruitment and allocating new recruits to departments; with the Civil Service College on training; with Directors of Statistics on postings from department to department; and for operating central promotion arrangements.

The Statistician Group is small enough for the Management Unit to know personally most statisticians in the Service. The Unit holds copies of annual reports, and the career guidance in these, together with regular career interviews, is used to attempt the best allocation of manpower, in the interests of both the current work in hand and the career development of individuals. The Unit encourages statisticians to undertake further training to keep up-to-date in their own discipline and to develop their administrative skills. The Civil Service Colleges provide courses for this including, in particular, courses in the rapidly developing subject of statistical computing.

The SGMU also monitors how the structure of the Group is changing, as a result of changes in recruitment, in numbers of posts and in patterns of resignations at junior and senior levels. It reports regularly to a Management Committee on this and considers what the pattern of recruitment should be and how far, for example, secondment outside the Group should be encouraged.

The Unit has no powers to require a department to give up or to accept a particular statistician, and therefore has to act by persuasion. This can

mean that moves are not as rapid as they might otherwise be, but the Unit has established a fund of goodwill, and its services are highly valued by departments.

The Head of the Government Statistical Service

The Director of the Central Statistical Office is also Head of the Government Statistical Service. This recognises his position as the most senior government statistician. He is responsible to the Prime Minister for providing an effective and economic statistical service to Government and for the professional integrity of the GSS. He is also Chairman of the Statistician Group Management Committee, whose terms of reference are to advise on problems affecting the Statistician Group, and he is responsible for the Statistician Group Management Unit.

The Head of the Government Statistical Service has few powers to accompany his responsibilities. The publication in April 1981 of the White Paper on Government Statistical Services (Cmnd. 8236) announced a certain change in emphasis of the role of the head of the GSS. The White Paper followed a series of scrutinies of the statistical activities of each department, conducted by a study officer from the department itself. These studies were collected together and published in a series of volumes, accompanied by a Central Report by Sir Derek Rayner on matters of general concern to the GSS. The Prime Minister accepted Sir Derek Rayner's recommendations and asked the head of the GSS to report to her annually on progress in achieving economies, better working practices and the wider deployment of good statistical practice. The White Paper, collecting together the government views on the scrutinies, also suggested that the head of the GSS should be able to call on Permanent Secretaries for co-operation where he considered staff moves to be necessary, and confirmed that he should have direct access to the Prime Minister on questions of statistical integrity.

A further important remit to the Head of the GSS was to be alert to the role that statistics could play in government more generally, with the view to achieving further efficiency in the working of government. Developments in this area are described a little later.

Management of the GSS

As a first step in developing a greater central co-ordinating and managerial role for the head of the GSS, following the White Paper, a system of statistical budgets was set up. In the Spring of 1982, an overall summary of the costs of statistical work performed for government in 1981–82 was put together, building on estimates produced in the Rayner reviews. This

showed for each department, under a small number of programme heads, expenditure on staff, computing, outside services *et cetera*. The figures for 1981–82 were accompanied, on the same price basis, by a budget for 1982–83. So far as possible, figures were produced using agreed guidelines which had been discussed between the CSO and individual departments, but at this stage the budget system is still being developed and improved.

For the first time a clear presentation of the allocation of resources was available to the head of the GSS, and he was able to study how the allocation of resources was changing from year to year. On the basis of these outturns and budgets, and reports from departments on their progress in achieving economies and gains in efficiency, he put to the Prime Minister in June 1982 his first annual report.

A summary of the allocation of resources in statistical work is given in the table at the end of this article. The table covers work under the general control of members of the Statistician Group: in addition limited information is available for some departments on the costs of statistical work undertaken elsewhere in the department.

At present budgets are calculated using the *Ready Reckoner for Staff Costs* which gives an average cost for each grade, taking account of the costs of accommodation, stationery and so on. The figures shown include a large proportion (£36 millions) of the cost of the 1981 Census of Population. Not all the savings agreed in the Rayner scrutinies had been implemented in 1981–82, and further savings (in the Department of Employment in particular) are being made in subsequent years.

New developments

The increase in interest in the allocation of resources to statistical work, following from the Rayner scrutinies, coincided with a general increase in interest in proper management in the Civil Service more generally. The Government has, since May 1979, regarded good management throughout the whole of the Civil Service as an aim to be furthered as a matter of policy in its own right. A White Paper 'Efficiency in the Civil Service' was published in July 1981* and a further White Paper 'Efficiency and Effectiveness in the Civil Service' in September 1982**.

The GSS budget was a major first step in improving the management of statistics, but it will need to be modified to take account of developments elsewhere.

*Cmnd. 8293, HMSO 1981.
**See footnote on page 2.

Some of the new developments preceded the preparation of statistical budgets – for example, the MINIS system in the Department of the Environment has been produced to help Ministers in that department to see how their staff resources are deployed. Other developments have occurred subsequently. In May 1982, for instance, the Prime Minister wrote to Ministers launching a general and co-ordinated drive to improve financial management in departments.*

The GSS budget is one approach which may provide a contribution to better financial management and, as it develops, it can help significantly in the proper allocation and use of resources deployed in statistics.

In a wider role, statisticians in some departments have been involved in the development of methods of management control for the department more generally. It is becoming increasingly common for statisticians to be posted away from their parent divisions to work alongside their administrative and other colleagues in determining what management information is required and how it should be used. This has long been the practice in the Ministry of Defence, and it is now taking place in departments such as Health and Social Security, Environment and Employment.

This movement, involving statisticians and their particular skills more closely in the work of the department, is to be welcomed. One possible consequence is that the Statistician Group will provide a small source of useful transfers to the Administration Group, as statisticians move into the general areas of financial management, monitoring and the assessment of advice, and express an interest in developing their career in this direction. (There are, on the other hand, likely future difficulties here for the structure of the Group and for recruitment).

Statisticians also have much to offer to their colleagues in computing. Changes are rapid here and statisticians have been among the first to realise the potential of microcomputers, either on their own or as terminals to main frame computers. Access to and handling of data have been transformed in the last ten years, and major further developments are likely over the next ten years. The Civil Service is not always quick to respond to rapidly changing events, and this is particularly true where large investment has been made in big mainframe computers and their staff. Statisticians are playing a key part in these developments, which will increase effectiveness and value for money. There is scope also for more frequent comparison of the cost of computing work and for the greater dissemination of good practices. Lessons learnt here can be applied to other areas of statistical work.

*The Financial Management Initiative is described more fully in J S Cassels' article, pp 2 – 19.

Conclusion

To summarise:

- The Statistician Group, with members in virtually all departments, provides an information and statistical advisory service to government for use in developing, implementing, and monitoring policy and managing resources.
- The Government Statistical Service (statisticians and their colleagues) collects information and uses it, first to provide responses and initiatives relevant to the work of the various departments, and secondly to provide background information (often through regular publications).
- Statisticians are employed by the various departments, and are under the overall control of their Director of Statistics, and, through him, the Permanent Secretary and Minister.
- The Statistician Group Management Unit in the Central Statistical Office is responsible for the recruitment of statisticians, and their initial deployment (in conjunction with the Civil Service Commission) and for organising central promotion procedures. It also arranges postings between departments for career development purposes. It monitors how the structure of the group is changing and considers what action this might require.
- The follow-up to the Rayner *Review of Government Statistical Services* suggested a wider role for the Head of the GSS (the Director of the CSO) which is being fulfilled through a new regular system of budgets of statistical activities and through the encouragement of the wider use of statisticians' skills and experience in the work of their departments and in the new initiative to improve financial management of departments.

Table — Expenditure on Statistics in 1981 – 82

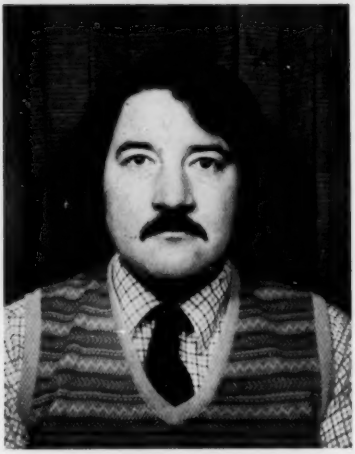
£ million

	Cost of statistical staff	*Computing costs*	*Other departmental costs*	*Payments for external services*	*Receipts*	*Total net costs**
Agriculture, Fisheries and Food	2.5	0.5	0.6	—	—	3.6
Central Statistical Office	3.3	1.6	—	0.2	—	5.1
Customs and Excise	6.6	2.5	2.7	—	0.3	11.4
Defence	3.6	1.1	—	—	—	4.8
Education and Science	1.3	0.7	—	—	—	2.0
Employment Group	5.2	2.2	11.2	0.3	—	18.9
Energy	1.5	0.5	—	—	—	2.0
Environment	3.2	1.8	0.1	—	—	5.1
Health and Social Security	4.4	2.2	**	—	—	6.6
Home Office	2.0	1.5	0.4	0.1	—	4.0
Industry and Trade (including Business Statistics Office)	10.7	5.0	—	—	0.1	15.6
Inland Revenue	2.1	1.7	2.2	—	—	6.0
Lord Chancellor's Department	0.2	—	0.7	—	—	0.9
Overseas Development	0.4	0.1	—	—	—	0.4
Office of Population Censuses and Surveys†	14.9	3.6	21.1	1.2	—	40.9
General Register Office (Scotland)‡	1.5	0.9	2.8	—	—	5.2
Scottish Office	1.9	1.1	—	0.1	—	3.1
Transport	1.5	0.6	—	1.3	0.1	3.4
Treasury	0.6	0.8	—	—	—	1.5
Welsh Office	0.9	0.1	—	0.1	—	1.0
Totals	68.2	28.6	42.0	3.3	0.7	141.5

* Figures may not sum totals because of rounding
** Not available
† Includes £31 millions for 1981 Census of Population
‡ Includes £4.7 millions for 1981 Census of Population

Information Technology and the Disabled

J McCann



John McCann is an Executive Officer in Information Technology Division of the Department of Industry. He is involved with the day-to-day administration of the *Information Technology and the Disabled* initiative.

1982 was designated Information Technology Year (IT '82) in order to make all sectors of the community aware of the potential applications of IT. One sector of the community to which IT has a special significance is the disabled.

Many disabled people require help in communicating with the rest of the world. The easy direct communication between subject and object has been supplanted and replaced by chronic dependence on other people. This loss of facility for communication can appear in many forms, for disablement may involve the loss or impairment of sight, hearing, speech or touch, or of the mobility, say, to answer the door. Some forms of mental handicap involve the inability to respond normally to communication.

The technologies of the past could do little to help those with communication problems, but IT can now make a significant contribution. IT now allows communication via one or other of the five senses – to be translated into whatever other medium a particular disabled person can understand.

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Under the umbrella title 'IT and the Disabled', Information Technology Division of the Department of Industry (DoI) has been helping to create initiatives to ensure that the practical application of information technology will benefit both the disabled participants and the IT industry. £2.5 million has been allocated for this work during 1982–83. Although DoI has been at the forefront of these initiatives, the participation of industry and commerce, of the disabled themselves and those who help them is vital to the success of individual projects. DoI has also been supported by others who have traditionally been associated with the disabled sector—notably the Department of Health and Social Security (DHSS) and the Department of Education and Science.

There are three main areas where DoI has been active in the area of IT and the disabled: special projects, IT-based aids for the disabled, and the application of IT to information systems.

Special projects

A major initiative under this heading is the 'work units for the disabled' scheme which aims to demonstrate the effectiveness of IT in allowing disabled employees to work either from their own home or in a sheltered group environment. Because of earlier problems with communications and the handling and transmission of text, most of the present work opportunities for disabled people require manual skills rather than intellectual ones, and are based in the workshop rather than in the office or at home. However, advances in telecommunications and the advent of small, powerful and versatile electronic office equipment, present new possibilities for disabled people to undertake office work from their home or from a sheltered group environment.

This initiative began with a pilot study of six work units which was completed successfully in 1982. Following this success, the DoI decided to extend the initiative by a further 50 work places.

Many large nationally known employers as well as smaller organisations have been actively involved in this scheme, for the notion of working from home, now possible through IT, is becoming more appealing and practical. In this the disabled stand as equals, for although the range of disabilities is wide so too is the range of employable attributes among potential disabled employees.

Another special project initiative is VISICOM which consists essentially of a trial of three general means of communication for the deaf that involve new IT techniques. One of these is the deaf communication terminals supported by DHSS, which are telephone links with visual display and full keyboard. The other two devices are both forms of electronic mail communication, which is of particular benefit to deaf people as it will enable them to leave messages for other electronic mail users and it will

Beverly Ashton at work at her home, using one of the Department of Industry-funded IT work units. The unit – comprising a British word-processing microcomputer from LSI and a high-quality printer – is used mainly for correspondence, but with some statistical and filing functions. It includes a copier, telephone and telephone answering machine.

also enable them to make contact with the deaf community at large by means of an electronic 'circular'. The management of this project is largely in the hands of the deaf community.

At the Open University a project was launched to provide synthetic speech output from a computer, for the blind. Based on previous research, the aim is to develop appropriate software to enable speech output by synthesiser from a microcomputer, that is, the computer would 'speak' to its operator.

Otherwise for the blind it would be necessary to print hard copy and then translate that to braille, or to 'read' it using other technology which is both time-consuming and expensive.

Special projects have been under way in a number of 'special schools'. For example, at Oak Lodge School in London there is a work preparation department for children of school leaving age. The object of the project is to explore ways in which information technology can help, for example

with specially devised computer aided learning at the critical school/work stage.

School children have proved fertile ground for the promotion of IT-awareness. The easy familiarity of children with computer keyboards and the widespread attraction of IT-based games such as Space Invaders has shown that what will be IT revolution for adults will merely be IT evolution for children. Again children at special schools can overcome their physical disadvantage through the application of IT, and so special schools are an important area for the DoI initiative.

IT aids for the disabled

DoI has been centrally concerned with promoting and in some cases uncovering microelectronic-based aids for the disabled. This is another area where special schools have been the major area of application as children respond and adapt more quickly to aids. Adults, however, have also been provided for.

It was clear that many aids had been developed that were not reaching the market place. They remained at the stage of 'completed research' on a workbench or in a cupboard. The intention therefore was to release this backlog of useful work. DoI placed 'pump-priming' orders to encourage the commercial production and sales of such aids. An order for a limited number of aids is placed with a manufacturer and the aids themselves are placed in schools or with appropriate organisations for tests and trials. The intention is to stimulate demand, and to reduce unit costs. Through this we hope to benefit both disabled people and the small manufacturing companies which produce these aids.

One of these aids is called *Turtle*. It is a device which can be used in assisting the mental development of handicapped children. The device can draw geometric shapes and pictures, store information and retrieve procedures for subsequent instruction. It can also be used in ordinary schools.

Concept keyboard is another pump-priming exercise with 100 purchased for use in special schools. The device consists of a touch-sensitive keyboard linked to a microcomputer and the computer is programmed to understand that when a certain part of it is touched, then it must draw a cow, say, or perform some other instruction. The overlay for the keyboard can be made by the teacher to reflect directly the child's ability. *Turtles* could be operated using *Concept* keyboards, for example, by children who could not write instructions on a conventional keyboard.

The *Fricative Training Aid* is another microelectronic-based device. Its purpose is to help deaf people or people who are hard of hearing to learn to speak by improving their discrimination of words by means of a sound-activated visual display, which, for example, would enable distinction to

be made between 'chip' and 'ship'. Typically the teacher says a word which appears on the screen together with the sound wave pattern, and the pupil then attempts to match this.

This is by no means a comprehensive list of such aids, and as it is an on-going process many other aids will come to light which can be introduced into the disabled sector.

Information systems and databases

DoI also intend to provide assistance on IT-related projects for those who help disabled people, by and large voluntary organisations. Many of these organisations have extensive correspondence, and they produce newsletters and information sheets for the group of people whose interest they represent. There is therefore a network of communication and considerable possibility that the work of administering this will limit the amount of activity that can be done on behalf of disabled people. Such networks of communication or information systems – or data-bases – can be made more manageable with IT. News sheets can be reproduced quickly; addressing systems introduced; filing systems computerised, and reports prepared and up-dated by word-processors. This can result both in an improved information system and in the release of valuable staff who can then devote more time to helping disabled people and less time to the filing systems. Investigation and discussions as to the best way to achieve these aims continues with the relevant organisations.

I have provided above a brief outline of the DoI's initiative – *IT and the Disabled*. Through this can be seen the human face of IT. As IT '82 tried to show through its awareness programme, we are at the beginning of a revolution comparable to the advent of the industrial revolution. This revolution will change all of our lives. There will be many benefits in time-saving, space-saving and innovations which will enhance our lifestyles. How much more of a revolutionary change will it be for those members of society who have been segregated by physical disability and who will now be able to work and communicate in a way which was never before thought possible?

Computer Terminal Skills

A C Callender

Tony Callender is currently on secondment from IBM (Manufacturing) to the Civil Service College at 11 Belgrave Road, London. For the last five years he has been a line manager responsible for professional engineers and programmers.

People who have to communicate with a computer normally must do so by using a keyboard; with the increasing introduction of technology into the office, more people are already using keyboards in their daily work. This article, based on the author's experience outside as well as inside the Civil Service usefully draws attention to their needs and opportunities for keyboard training.

In today's office environment, with the increased application of technological devices, many people other than secretarial staff (ranging from clerical to management) have access to and frequently use keyboard-based tools. These include, amongst others, data-entry terminals of one sort or another, visual display units (VDUs) attached to computers and microcomputers and even word processors.

The range of jobs involved is wide and covers such diverse activities as statistical analysis, mathematical calculations, management planning, reporting and control, computer program design and development and documentation.

I come from a high technology manufacturing company where programmers, engineers (who also write computer programs), other professionals (which include accountants, production controllers, *etcetera*) and even managers have access much of the time to on-line, interactive, terminal-based computer systems. Such systems provide terminals (keyboard and screen) which are connected to a computer and which provide immediate communication. The terminals may be used to

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interrogate a computer file of information, update or amend the information or perform statistical analysis, say, on the information. In addition such terminals can and often are used by programmers to write and edit their computer instructions and initiate the testing of their programs; or, with certain programming languages, mathematical calculations can be performed as though using a large but very sophisticated calculator.

While I appreciate that not everybody has this luxury, some civil servants do, and many others, at one time or another, use a typewriter-style keyboard in the course of their day-to-day work. The trend is for increasing opportunity for staff to have access to such devices.

So, what is the point that I am trying to make? Well, it is that in this area of work there is a high potential for productivity improvement (20–25 per cent is a typical figure). Often, I have observed people 'plonking' on their computer terminal keyboard with one, maybe two (or even three) fingers at an excruciatingly slow pace. It is my experience that investing in training frequent users of terminals in basic keyboard skills (that is touch-typing) is both cost-effective and worthwhile. Not only does the user significantly increase the speed of input but there is a concomitant improvement in the quality of and satisfaction in the work that is produced.

There are a number of approaches that can be taken in achieving better keyboard skills. One method is explained in the CCTA Computer Notice No 112 which describes a self-instruction programme developed at GCHQ. Assuming no previous experience, it is designed to train staff at any grade in the effective use of the conventional (QWERTY) keyboard. The package comprises a tape/slide presentation with suitable exercises. Experience has shown that 6,000 key-depressions per hour can be reasonably achieved with a low error rate after about 50 hours of self-study in two-hour periods spread over six weeks. Cost is £320 (+VAT) with £50 (+VAT) per extra package of student materials.

An alternative method, which I have personally tried (and found satisfactory) utilises a microcomputer. Called 'Keyskill', it is also a student-driven package but it handles both novices and experienced keyboard users. The student is presented with a blank keyboard and an exercise displayed on the screen. If, during the exercise, an error is made then the computer will indicate which key should be depressed; the student cannot continue until the correct key is struck. There are a number of progressively more difficult exercises to be performed. Sessions of about 30 minutes are advised, and two sessions per day over three to four weeks can give speeds of up to 10,000 key-depressions per hour, again with a low error rate. At the end of a session the computer displays statistics indicating the number of errors, percentage error-rate, number of key-depressions per hour and time spent. The cost of this device is £1,500 (+VAT). A competitive device,

known as SAKI (Self Adaptive Keyboard Instructor) which provides comparable facilities, is available in the Learning Resource Centre at the Treasury. It is complemented with more advanced practice material, using an RML380Z microcomputer, developed by the Staff Training Team.

Other possibilities could be considered: use of existing in-service facilities for the development and supervision of suitable hands-on training, for example. Where management identifies the need, keyboard training for non-secretarial grades is, I am informed, available at Civil Service Typewriter Training Centres.

In summary, therefore, I have intended to draw to management's attention the possibility of improving productivity in one simple, but increasingly significant, area of our business—the use of terminals by administrative and professional staff, particularly to interrogate computers and to update, amend or manipulate information held on computer files. Dependent on the size of the unit, and the amount of money at its disposal, I have indicated two alternative methods for achieving this. It should go without saying, however, that deciding to follow this up will, alone, not be sufficient. It will also be necessary for the management concerned to encourage their subordinates and staff that the exercise is, indeed, a worthwhile one. I can only say that in my recent experience, staff willingly volunteered to improve their keyboard skills (in their own time too) once the facility was made available and was explained to them. From a business, or financial, point-of-view, I hope that it will seem obvious that a relatively small investment in this area can have significant tangible and intangible returns.

Further information on the GCHQ, Keyskill and SAKI methods is available on request to Mr A C Callender at the Civil Service College, 11 Belgrave Road, London, SW1V 1RB (telephone: 01-834 6644 ext. 420 or, on the Government Telephone Network, 2803 420).

Abstracts of Technical Articles and Reports

CCTA Technical Note No 2231 — The CDC Cyber 205 Computer Systems by M Gethin, HM Treasury (Central Computer and Telecommunications Agency), 11 pages, gratis.

This Note provides a description of the CDC Cyber 205 computer system, including central processors (vector, scalar units and memory), maintenance control unit, filestore and a general purpose front-end computer. Fast processing of large arrays of data is achieved by using the pipe-lined vector processor and special extensions in the Fortran compiler. The main software includes a virtual storage operating system (VSOS), Fortran 77 compiler and LCN software.

Copies available from Publications & Information Branch, CCTA.

CCTA Technical Note No 2250 — The Cray 1 Computer System by Dr R Gostick, HM Treasury (Central Computer and Telecommunications Agency), 13 pages, gratis.

This Note provides a description of the CRAY 1 computer system including processor, memory, input/output, operating system and FORTRAN compiler. Details of technology and accommodation requirements are also given.

The Note also highlights the features of both scalar and vector areas to show how the CRAY 1 achieves a high performance rating.

Copies available from Publications & Information Branch, CCTA.

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CCTA Technical Note No 3449—Information Retrieval: The STAIRS Package by D Robson, HM Treasury (Central Computer and Telecommunications Agency), 25 pages, gratis.

The amount of information held in computer readable format is substantial and the main problem is to store the information so that it can be available quickly to those who need it ie the end users. Generally, only about 5 per cent of the information is structured and therefore suitable for traditional data processing. The balance of the information is either unstructured or partly structured (in computing terms).

STAIRS (Storage And Information Retrieval System) which is written, marketed and supported by IBM, has been designed to enable the rapid retrieval of unstructured or partly structured data. It can be used with such applications as library systems, internal or external reports, import/export regulations, research papers, etc.

Copies available from Publications & Information Branch, CCTA.

CCTA Technical Note No 10023—ICL Network Processor System by R E Aistrop and C J Carney, HM Treasury (Central Computer and Telecommunications Agency), 25 pages, gratis.

With the increasing sophistication of communications networks ie networks based around several mainframes each providing different facilities, instead of a single mainframe with a number of remote terminals, communications processors play a vital part in ensuring that the best possible use is made of the resources available.

This Note introduces ICL's recently announced Network Processor System (NPS) and describes its key role within their Information Processing Architecture (IPA).

Copies available from Publications & Information Branch, CCTA.

The address of Publications & Information Branch, CCTA is:

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Civil Service College Courses and Seminars

The Civil Service College runs a wide range of courses and seminars, many of which are open to both civil servants and people outside government. A small selection of the courses due to be held between May and July 1983 is shown below together with a contact point for further information. The College's complete programme for the 1982–83 academic year can be obtained from the Library – Telephone: Ascot (0990) 23444 ext 263 or GTN 2092 263.

Course Title	*Dates*
Developing office technology systems	17–19 May 1983
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Forms design for managers	21–22 June 1983
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Computer and the user	6–10 June 1983
	4–8 July 1983
Project network techniques	17–18 May 1983
Effective consultancy for assignment staff	9–20 May 1983
	20 June–1 July 1983

Contact Mr David Crampton, Civil Service College
11 Belgrave Road, London, SW1V 1RB
Telephone: 01-834 6644 ext. 523 or GTN 2803 384

Creative action	16–20 May 1983
National accounts	23–25 May 1983
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Introductory course for graduate specialists	13 June–1 July 1983
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Contact Mrs Irene Somerville, Civil Service College
Sunningdale Park, Ascot, Berks SL5 0QE
Telephone: Ascot (0990) 23444 ext. 278 or GTN 2092 278

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The changing environment of Government	3–6 May 1983
Improving public purchasing	1–3 June 1983

Contact Mr Les Metcalfe, Mr Mike Meacham
Civil Service College, 11 Belgrave Road,
London, SW1V 1RB
Telephone: 01-834 6644 ext. 333/537 or GTN 2803 333/537

Effective manager I	11–15 July 1983
Consultants and advisers	1–10 June 1983
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Contact Mrs E M Blaydon, Civil Service College,
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Appraisal of local spending	16–18 May 1983
Appraisal for non-marketed outputs (cost benefit analysis)	11–13 July 1983
Resource allocation and financial management	27 June–8 July 1983

Contact Mr P Daffern, Civil Service College,
11 Belgrave Road, London, SW1V 1RB
Telephone: 01-834 6644 ext. 539 or GTN 2803 539.

New Publications on the Civil Service

This is a list of the documents recently issued by the Management and Personnel Office on management in the Civil Service. These items may be examined in the *Central Management Library, Management and Personnel Office, Old Admiralty Building, Whitehall, London SW1A 2AZ,* and copies may be ordered from the same address. HMSO publications may be ordered from *PO Box 569, London SE1 9NH,* from Government Bookshops, or through any bookseller.

Civil service pay: factual material on the main groups and classes in the non-industrial home civil service: submitted to the Inquiry into Non-Industrial Civil Service Pay under the chairmanship of Sir John Megaw
HMSO; 1982; 113 pages; £6.50
ISBN 0 11 630456 1

Civil service pay: government evidence submitted to the Inquiry into Non-Industrial Civil Service Pay under the chairmanship of Sir John Megaw
HMSO; 1982; 170 pages; £8.30
ISBN 0 11 630459 6

Code of practice: employment of registered disabled people
1982; 11 pages; gratis

Equal opportunities for women in the civil service
HMSO; 1982; 116 pages; £5.90
ISBN 0 11 630466 9

Ethnic monitoring in the civil service: a survey in Leeds. Volume 1
HMSO; 1982; 45 pages; £2.00
ISBN 0 11 630463 4

MPO . . . one year on
1982; 7 pages; gratis

Non-departmental public bodies: a bibliography
1982; 70 refs; gratis

Schistosomiasis
1982; rev ed, 4 pages; gratis
Medical Advisory Service Health series no 4

Civil Service College

Educational vouchers: some thoughts from California by G Cohen
1982; 12 pages; gratis
Working paper no 32

Volunteer care: report of a seminar sponsored by the Centre for Extension Training in Community Medicine, London School of Hygiene and Tropical Medicine, in association with the Civil Service College, Sunningdale Park, 15-17 March 1982 by M Mecham
1982; 25 pages; gratis
Working paper no 33

Civil Service Commission

Scientists: civil service careers
1982; 73 pages; gratis

Working in science: civil service careers
1982; 3 pages; gratis

Working with computers: civil service careers
1982; 3 pages; gratis

Printed in England for Her Majesty's Stationery Office by Adams Bros. & Shardlow Ltd., Leicester
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Contributions and correspondence are welcomed; they should be addressed to the editor at the Management and Personnel Office, Old Admiralty Building, Whitehall, London SW1A 2AZ. Manuscripts should preferably be clearly typed on single sides of A4 paper with double spacing and wide margins. Photographs should be in black and white with a glossy finish and free from creases and marks. Civil Service contributors should first obtain the approval of their departments for publication.

Abstracts of technical articles and reports by civil servants should include:

(1) Title or subject
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